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What's Wrong with the Way We Buy Weapons

*A Conversation with Lawrence J. Korb
and Thomas L. McNaugher*

THE FEDERAL GOVERNMENT revealed in June that it has been investigating allegations of procurement fraud and bribery at the Department of Defense that involve dozens of weapons contracts and billions of dollars. Search warrants issued to the FBI indicated that agents were investigating charges that certain Pentagon officials, defense contractors, and consultants had conspired to rig supposedly competitive bids, either through passing and receiving confidential information about pending bids or through tailoring specifications so that a particular contractor was more likely to win the competition.

Although formal charges had not been filed by mid-August, the Defense Department under Secretary Frank C. Carlucci and several congressional committees have already launched their own inquiries into what Senator John Warner of Virginia has called "the most serious case" yet of cheating on weapons contracts. How could a scandal of such proportions occur? Is it indicative of fundamental problems in the procurement process? Should the acquisition process be reformed?

To answer those questions, the Review turned to two experts in weapons acquisition. Lawrence J. Korb, director of Brookings' Center for Public Policy Education, was the assistant secretary of defense for manpower, reserve affairs, and logistics from 1981 to 1985. Before that he was director of defense policy studies at the American Enterprise Institute. Thomas L. McNaugher, a senior fellow in the Brookings Foreign Policy Studies program, is the author of the forthcoming book *New Weapons and Old Politics: America's Military Procurement Muddle*. The following is an edited transcript of their conversation.

Review: From what you know of these recent allegations, are they in fact symptomatic of greater problems with the way we buy our weapons?

McNaugher: I'm inclined to think that the current problem is not symptomatic of any greater systemic malaise. There's always going to be a certain amount of dishonesty in any large organization. You can't legislate honesty, and you can't legislate a system that works whether people are honest or dishonest.

Korb: I disagree a bit. Since there will always be dishonest people, a system has to be constructed that minimizes the amount that people can get away with. I am not surprised, for example, that the investigation has been focused on the Navy, given the way the Navy procurement system was run during the last few years. Under John Lehman, the Navy made lots its own procurement rules. It politicized the system by dismantling the Navy Materiel Command, the buying arm of the Navy, thus giving more power to political appointees as opposed to career people. At the same time, the number of contracts that the Navy let competitively increased, and after years of rapid expansion, the defense budget began to shrink. Greater competition for fewer contracts gave contractors an incentive to try to get inside information, and the elimination of a lot of bureaucratic checks and balances made it easier for them to do so.

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— Thomas L. McNaugher



McNaugher: I wouldn't deny the unique features of Navy procurement over the last six or seven years. If there is an explanation for why this scandal happened now and involves the Navy, it surely has to do with the elimination of bureaucratic checks and balances and the aggressive use of competition. But both of these have good aspects to them too. Two and three years ago, everybody was high on Mr. Lehman precisely because he got rid of the bureaucracy. Now, it looks like you can carry that too far.

I still think, though, that the scandal involves the Navy partly because that is where we're shining the light. This kind of corruption — passing information back and forth for a price — probably goes on at some low level in all the services.

Review: Larry, you implied that Lehman, and presumably the rest of the service secretaries, were given a great deal of latitude in managing their services. Was there too much decentralization during Caspar Weinberger's time as secretary of defense?

Korb: The secretary of defense can't make decisions on individual procurement contracts, but Weinberger completely absented himself from the whole process. He wouldn't even make an exception in especially difficult cases. And by refusing to involve himself, even when people tried to tell him there was a particular problem with this contract or that, he enhanced the power of the service secretaries. Previous secretaries of defense involved themselves in the process when a particular problem arose, which put a kind of brake on the services. But because Weinberger did not apply that brake, the potential for fraud and abuse was enhanced. That isn't to say it will happen. But given the right combination of opportunity and people, it can happen. And I think when all of the facts of this episode come to light, it will be apparent that some of the people involved here did not have public service as their primary motivation and thus needed to be checked.

Review: Can anything be done to prevent this sort of thing from occurring again?

McNaugher: Frankly, I think the solution is already being worked out. The FBI is tracking down the wrongdoers, and I hope they are thrown in jail and barred from working with the Department of the Defense. That's the solution.

Understandably, some members of Congress want to use this scandal as an excuse for another wave of reform. But I think senators like Sam Nunn and John Warner think Congress should stand back and let this thing settle down for a while before taking any action. And I agree. The last thing we need is another layer of auditors and still more complicated laws affecting weapons procurement. They won't solve the problem of dishonesty, but they'll make it still more difficult for honest people to develop useful weapons.

Korb: I also think there will be a window of opportunity for the new administration and the next secretary of defense to work through some of these problems. Congress, when it passed the Goldwater-Nichols Reorganization Act of 1986, said that it wanted the office of the secretary of defense to get more involved in the procurement process. The secretary now has a greater opportunity than any of his predecessors to take control of that process and make things happen. For example, he will be able to ensure that there will be more joint procurement and that

the equipment of one service will be more compatible with that of the other services. He will also find it easier to get involved in the design stage of weapons systems as well as to cancel systems with problems. I think Congress is likely to wait and see what a new secretary will do before it considers major reforms. That's why it is so important to get the right person in the job.

Review: Is it a good idea to tighten up the revolving door law that bars certain defense officials from going to work for defense contractors under certain circumstances?

Korb: You have to look at the costs and benefits. If the restrictions are too tight, you won't get the good and experienced people you need to come to work in the Pentagon, and if you don't get the right people, then the government is going to spend a lot of money that it shouldn't because inexperienced people will make mistakes. Besides, the restrictions were just tightened as of April 15, 1987. I'd like to see how that law operates before we tighten the restrictions further. But a certain amount of trust has to be involved. I don't think you can ever legislate away the problem of potential conflict of interest, but you could end up doing more harm than good with new restrictions.

McNaugher: Larry is right. You've got to have balance. We're dealing at the extremes of defense acquisition, with technologies that very few people know anything about. Now we may make it even more difficult for them to talk to one another, for them to switch back and forth. What do we want? Do we want a system that produces honesty or a system that produces weapons that work? There's got to be a balance. Sure, we're going to see some revolving door legislation. Consultants are certainly going to be brought under its coverage. But over the long haul, I hope cooler heads will prevail and let the people who need to talk to one another talk to one another.

Competition for Its Own Sake

Review: David Packard, who was former deputy secretary of defense in the Nixon administration and who headed the President's Blue Ribbon Commission on Defense Management a couple of years ago, told a Senate committee recently that there had been a misplaced emphasis on competition in the last few years. Do you agree?

McNaugher: Well, you have to understand that there are two types of competition. There is competition for development contracts, where the contractors are making proposals and building prototypes and are in fierce competition because the contract could mean 20 years worth of business. And then there is competition for production, which is supposed to encourage efficiency and lower the cost of weapons.

Traditionally, weapons builders have always competed for development contracts. On the good side, that forces companies to be innovative, to come up with new ideas that keep us ahead of the Soviets. On the bad side, though, competition for development encourages the competing companies to be optimistic about what they can build and what it will cost. Since all they are submitting is a written bid or maybe an incomplete prototype, there is no way to know what the finished product will really cost, and each company believes that the others will shave a bit to win the



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contract. There are big penalties for being honest.

This is how we get the “buy-in” — we start new development projects with very rosy projections of what they’re going to cost. From the company’s perspective, having fought its competitors to win the contract, it now has to fight the government to win enough funding to actually develop the product. Historically, companies haven’t done very well during development, but they’ve “gotten well” during production, because they usually had a monopoly.

Over the past five years Congress has basically tried to eliminate that monopoly by forcing the services to introduce more competition into the production end of the weapons business. That means that companies must still buy in to win the development contract, but they are no longer as sure as they once were that they will also receive the production contract and thus be able to recoup what they probably lost on development. At the very least, we’ve made the defense business a lot more risky than it once was. At worst, though, we’ve made development work pretty unattractive. And that’s a crazy thing to do if we’re serious about staying ahead of the Soviets.

I think the CICA, the Competition in Contracting Act of 1984, managed to land on precisely the wrong combination of competition. We make contractors take risks by imposing competition on them early in development, and then the CICA comes along to take away their profits later on. It puts the industry in a squeeze. Now the industry doesn’t have anywhere to go; most of the prime contractors aren’t very good at commercial enterprise. So we can squeeze them if we want to. But I’m not sure it gets us good weapons, and I think that’s what the procurement process is supposed to do.

I would rather we paid for competitive development all the way through to a production choice. But then we ought to treat production as a monopoly, except in cases where the production run is very long and competition makes sense. By the end of development we ought to have a pretty good idea of what something costs, and we can decide on what the reward ought to be for a job well done.

Korb: The great irony is that we were moving in the right direction at the beginning of this decade. We were increasing competition gradually and where it made sense, and we were using more multi-year production. Then DOD had the problems with the overpriced hammers and the screwdrivers and the toilet seats. Those “horror stories” resulted ultimately in passage of the Competition in Contracting Act, which required that a certain percentage of all procurement dollars be let competitively. So it became competition for the sake of competition, rather than for the sake of a better product or less cost. The prices DOD paid for the hammers and the screwdrivers and the toilet seats were not real problems with the procurement system. In most cases, they were accounting problems and problems of human error, but we reacted as if they were systemic problems and then developed a lot of inappropriate solutions.

Staying Ahead of Congress

Review: We do seem to produce a fair number of weapons that don’t work very well when they come off the production line. Is this a flaw in the procurement process?

How can we spend so much money developing weapons that don’t work, at least initially, and why does it happen time and again?

McNaugher: You know, one doesn’t have to be pernicious or greedy to feel that a particular weapon system is very important for his service’s mission. The services usually know exactly what they want — like a new bomber, for example. The problem is that the procurement environment is very unpredictable — Congress or the defense secretary can intervene at any time in your programs. One way a program manager can take care of that is to report that everything is going along very well, until the very end when test data or operational experience suggests that there are some marginal, or maybe even some very large, problems with the system. Then the manager says, “Well, look, we have the weapon now, it’s purchased. We’ll fix the problem.” That’s called generating political momentum. So much money has already been sunk into the system that it is very difficult to cancel.

If you ask program managers what they think they’re doing, they’ll tell you that we have to move fast to stay ahead of the Russians. That rationale has a surface logic, but it doesn’t hold very much water. At least half of the time the services are trying to stay ahead of Congress rather than the Soviet Union. The Soviets aren’t the threat. It’s the political system that imposes the threat of disruption, funding instability, or outright cancellation.

So a program manager does what he can to get the project by that magic point where it has acquired momentum, figuring that problems can be fixed later. That’s what happened with the B-1. I think the Air Force felt strongly, after having tried to buy a bomber for 25 years, that it had a four-year window of opportunity starting in 1981. The Air Force took that opening and flew that airplane out the other side. But now the B-1 has to be fixed, particularly its electronics, which came along much more slowly than the rest of the aircraft. So we’ll spend more money to put a working set of electronic equipment on the B-1. Maybe it will be a good bomber some day, but one would have liked a more careful review process and a more judicious set of decisions than we actually had about whether the bomber was really worth buying.

Review: So congressional intervention is one of the main problems with the acquisition process?

McNaugher: Yes. I think one of the big structural features that distinguishes American weapons acquisition from almost any other country’s weapons acquisition is that we’re not just a democracy; we’re a congressional democracy. Parliamentary democracies have stronger party discipline, stronger budget discipline; they’re capable of giving block grants of money for a period of years.

Congress and the executive branch were designed by the founding fathers to fight about issues, and they do that all the time. Because of the way we’ve structured weapons acquisition, they fight about weapons every year. Whatever the technical risks defense contractors face in designing something that has never been designed before, it is the political risk that they really worry about: Are we going to get money this year? Is this really going to go through?

Now, very few projects that are started are ever stopped. We don’t cancel many major systems. But if you’re a contractor, that’s easier to say than it is to live with. Yours may be the first project to be shut down. And every year

Congress will pick away at it.

So I think the services and the industry have developed strategies for mitigating the effects of congressional interference. It's understandable. But it's unfortunate because, in the end, those strategies work themselves out on the technology, and the technology is pretty sophisticated and delicate. If anything, we should be taking longer to develop systems because they are infinitely more complicated than they were in the 1950s.

Korb: On that point, I think what often happens is that some people who really don't want a big Navy or a large Air Force will use technological arguments to try to kill weapons systems the Navy or Air Force want. These people will look for these problems in the system to try to kill it without ever acknowledging that they don't want the system in the first place. So both the services and industry have incentives to claim too much technologically.

Unless the secretary of defense understands what's happening, he can cause problems for the department. I would say the genius of a secretary like Melvin Laird, who served under Nixon, was that he understood the political system and how to play the game. Laird understood how to get a weapons system through Congress. Unfortunately, Weinberger really believed some of the test results that he was given.

Take DIVAD, the Division Air Defense gun, for example. It was clearly in trouble and should have been stopped three years before it was. Weinberger apparently just disregarded all the real evidence. It was not until a congressman told the secretary that he would release the test results unless Weinberger canceled the project that Weinberger took action. Weinberger had the "official" test results, and he still wouldn't make a decision because he apparently didn't understand that the Army had felt the need to enhance those results. A defense secretary has to be clever both inside and outside the Pentagon.

Product Improvement

McNaugher: To go back for a minute to my point about putting flawed weapons systems on the line to stay ahead of the Soviets. The Defense Department tells us that the Russians take as long to develop systems as we do. So why are we worried about them catching up? Are they catching up? I don't know. But if they are, it is not because they develop systems faster than we do.

If the Russians catch up with us at all, it's because they are more systematic in their approach to product improvements than we are. There is a funny syndrome in the American political system. When a service launches a new project, it is so worried about protecting that project politically that it tends to suppress interesting product improvements to older systems, because the emergence of an improved older system may very well threaten the new project.

So very interesting new technologies don't get used on old systems. A new engine for a helicopter, for example, doesn't get put on the old helicopter until five, six, seven years after it could have been put on. That's how we could fall behind the Russians. It's not a question of how fast we develop systems. It's the politicized process by which we seek to protect systems as they wend their way through what is a very contentious and uncertain political process.

Korb: Let me give you an example that illustrates that point. The Air Force wanted to go ahead with this missile they call AMRAAM [Advanced Medium-Range Air-to-Air Missile]. It's an air-to-air missile, a very smart missile you can fire and forget. When I was working for Raytheon, I learned that the Air Force told the company: "Do not under any circumstances mention tail-control Sparrow to Congress." The Sparrow was the previous generation missile which, if it had been modified and put in the field, would have been a quantum leap over what the Air Force had — but not as much of a leap as the AMRAAM. But the AMRAAM was such a technological leap that there were all kinds of problems with it. Raytheon didn't push the improved Sparrow, and eventually the company was awarded the second source production contract on AMRAAM. Had the Air Force improved the Sparrow, we probably could have "kept up with the Russians" and saved some money in the bargain.

McNaugher: You know, the best air-to-air missile out there is Sidewinder. Sidewinder was invented in 1952. It went into production in 1960. It wasn't very effective in the early years of the Vietnam War, but the Air Force and the Navy, working in parallel tracks, improved it. And now it is far ahead of anything the Russians have, and it's still the premier air-to-air missile.

That says two things to me. First, it says that product improvements are as good at keeping us ahead of the Soviets as some of these major system projects that we're constantly rushing to the field. Second, it says that these systems take time. Sidewinder failed most of its initial tests. It didn't work well when we first took it to Vietnam. As the services gathered combat experience and technical know-how, they were able to put the two together into a system that really worked.

It's one thing to put a shiny new piece of hardware out there for everyone to admire. But you don't win wars with shiny hardware. You win them with weapons that fit into the forces that use them, and that means that the forces have to adapt to the hardware, and the hardware has to be adapted to the forces. That takes time.

That's why I have a problem with AMRAAM. There is nothing wrong with the AMRAAM concept. But I see no need to rush a very risky technology like AMRAAM into production the way they have. The Air Force had no idea when they started out just what that missile would cost. They really didn't know which technology would do the job for them. So I think we should have played with that system for a time, really figured out how to make it work, what it could do, how pilots could use it, before we went rushing down the road toward production. And I think we should take that approach to most new systems.

Korb: The procurement system is biased toward technological advancement, though, because that's where the greatest gains are for all of the players. Industry makes more money on new technology. The services feel that they can cope with the threat better if they have the most advanced system. So they overlook some other things, like improving old weapons or getting today's force ready to fight. For example, when the Reagan administration came into office, the Navy had 450 ships with a lot of problems. Reagan is going to leave office with a 580-ship Navy with many of the same types of problems because the emphasis in the Navy has been on high-tech procurement.



"We also need to professionalize the acquisition corps. . . . A well-paid, well-trained, prestigious acquisition specialty will attract the best and the brightest career civil servants."

— Lawrence J. Korb

McNaugher: I think the services deal with this situation in a practical way politically. They understand my point that it takes an operating force to win wars. But they also understand the political point that it's very difficult to get these sophisticated development projects through the political process without some cost growth and other things that raise flags on Capitol Hill. So they rush the thing through and then they fix it out on the field. They don't really have the capacity when they buy the system. They have it two, three, four, five years later. And it's ahead of the Soviets. But that's a very expensive way to develop weapons systems, because you're repairing and modifying production systems. If the design isn't right the first time, it costs a heck of a lot to try and fix it. In the end, you never get back to what you could have had, had you just taken more time, tested, played with the thing a little bit more. The only way to solve that problem is somehow to get the political process out of the development process.

Korb: There's no doubt that the presence of politics does complicate procurement. But because of that, it's very

important that the right kind of people be selected for office: people who know how to deal with the politics. Trying to get the politics out of government is impossible. There are rules for playing this game. You have to know how to play it. And if you don't, you're not going to accomplish what you need to. That's why it's important that people understand that high level positions in government are not places for amateurs or on-the-job training.

McNaugher: Essentially, I agree with Larry. When I talk about reform, though, I'm not demanding that we get politics out of government. I just want to get politics out of technology development. As I said earlier, one way to do that is to have contractors compete to develop production-level systems. Then politicians can fight over which one we should buy.

We make our decisions now on the basis of numbers that aren't correct, bad information, because we're not willing to pay to develop systems that we can fire or fly around for a while. The opponents of what I'm suggesting would say we just can't afford to pay that much to develop, say, two tactical fighters and then fight about which one we're going to buy. To them, I would point out that we just developed two big strategic bombers, the B-1 and B-2, and we did it in a way that made it impossible to compare the two and choose to build just one.

We have to face up to the fact that if we want to develop better weapons, we're going to have to pay for them. And we're going to have to pay extra because our political system is an odd, contentious, fragmented, and pluralistic political system that injects its own special cost into weapons acquisition. Let's put it this way. There's a cost to having a democracy. Right now, we extract that cost from the kind of technologies we put in the field and the way we put them in the field. I would much rather pay that cost up front, develop a few systems, let the industry do that competitively, and then let the politicians and the services fight about which one we buy. That way we'd pay for democracy in money instead of in bad technologies in the field.

Review: Given the politics and budget constraints, don't you think that's unlikely to happen?

McNaugher: What we need is a real consensus on long-range reform that fundamentally restructures the system. I admit I don't think that is likely to happen.

Professionalize Acquisition Personnel

Korb: A couple of things can be done now, I think, to improve the situation. An astute secretary, regardless of whether he works for Bush or Dukakis, can sit down with Congress, particularly the Armed Services committees and agree on a reasonably stable funding level or range of budget outcomes for, say, the president's first term. That would give the secretary the time he needs to manage the department and to avoid some of these wild swings in funding levels that compound the problems of the procurement process.

We also need to professionalize the acquisition corps. The people who are involved in acquisition do not have the standing in the government personnel system that an engineer or even a policy analyst has. To me, that doesn't make sense.

Generally speaking, military personnel should not

manage large acquisitions; turnover among military people is too high to maintain coherency. Military personnel have to be involved in the design of the system, but they shouldn't have as much responsibility as they now do. But because of the lack of professionalization and the lack of status, the last thing a bright young man or woman going into the career civil service would do is become an acquisition specialist. That has to be corrected. A well-paid, well-trained, prestigious acquisition specialty will attract the best and the brightest career civil servants. These individuals will know how to manage large programs and how to deal with the defense industry.

McNaugher: I disagree with Larry a little bit. This is a hardy perennial, and it is a big one now because a book has just been written on the subject; members of Congress are interested in a military procurement corps like the one the French have.

People who propose this have to deal with two problems. First of all, we had a professional acquisition corps for most of the nation's history. The Army's Ordnance Department was a small group of professional Army officers who did nothing but weapons acquisition. The department ruled army acquisition from roughly 1812 to 1962, when Robert McNamara disestablished it. Infantrymen, armor officers, all of them hated the Ordnance Department because they felt it was totally unresponsive to the actual needs they had derived from their combat experience.

So first of all, the problem of responsiveness has to be addressed. How do you prevent this elite group of civilian managers from going off on its own and doing what it wants to do? A professional will understand contractual instruments, and can negotiate contracts. That's fine. But what about war? Who tells the manager that a particular tradeoff on a weapon design doesn't make sense in terms of the war that is likely to be fought?

Second, ask yourself what a program manager needs most. He needs a keen political skill. He's got to hold off Congress and the Pentagon's cost cutters long enough to get the project started and going. A program manager is like the president of a college. He's less worried about the campus curriculum than about fund-raising. That's what a program manager does. He spends a lot of time testifying, answering questions, and so forth. I don't care if a program manager has an MBA from Harvard or 20 years of experience. He still is going to have problems dealing with this, and the outcome is going to be determined as much by this mishmash of bureaucracy and politics as it is by his skill.

Korb: I'm not even talking about as high a level as you are. I'm talking about the people who are going to help you negotiate the contracts. They are at a level way below where they need to be in this crazy civil service system because they're not properly trained or paid.

Review: Larry, a final question. You've stressed how important it is to have the right people at the Pentagon. Who should the next president name as secretary of defense?

Korb: My immediate response is Norm Augustine of Martin Marietta. Augustine was an assistant secretary of defense for installations and logistics, the DOD acquisition expert. He then went to industry, came back to the Pentagon as under secretary for the Army — which is basically the acquisition executive of the Army — and then

went to Martin Marietta where he is now chairman and chief executive officer. So he has seen the operation from both sides. He is a man of great integrity. He has been through the revolving door and there has never been even a hint that he took advantage of it. He knows the services, knows the office of secretary of defense, knows the defense industry, knows Congress. Another possibility would be Frank Shrontz, president of Boeing Aerospace. He would bring many of these same attributes.

A word of caution, though. Whoever is picked as secretary had better make sure that the deputy secretary and the under secretary for acquisition complement his own strengths and weaknesses. If, for example, a Republican administration makes Senator William Cohen secretary, or a Democratic administration names Senator Sam Nunn or Congressman Les Aspin, then the under secretary of acquisition should be an industry person, or the deputy should have some experience managing a large company. With that kind of balance, I think the chances of things going awry would be minimized.

*"We make our decisions now
on the basis of numbers that
aren't correct . . . because we're
not willing to pay to develop
[alternative] systems that we can
fire or fly around for a while."*

— Thomas L. McNaugher



The View from 2020

Transportation in America's Future

Wilfred Owen

CONCERNED BY the nation's mounting transportation problems, state departments of transportation and the industry have undertaken an intensive effort to design a transportation strategy that will serve the country to the year 2020 and beyond. Project 2020 will recommend to Congress later this year what steps will have to be taken to maintain in the future the standards of mobility that have played so significant a role in America's prosperity.

The temptation to suggest some thoughts on the subject has been overpowering. We should start off by trying to imagine what people in 2020 will be happy we did or will wish we had done back in 1988. For only by starting now will we be able to guarantee the mobility required to support continuing economic growth and a high quality of living in the 21st century. What are the policy options and the technological possibilities that will be offered in the coming years?

Like most forecasting, predicting the future of transportation is risky business, and speed of change in recent years makes prognostication more difficult. For 6,800 years following the invention of the wheel, humanity made almost no progress in transportation. People kept pushing and pulling wheeled carts or hitching up animals to help. Once the railroads introduced a mechanized means of transport, the rate of change picked up. It was only 80 years from the railway age to the motor age, 40 years from the motor age to the age of commercial flight, and 20 years from the air age to the first travels in space. The 32 years that the 2020 project must anticipate seem like an eternity.

Events in recent months suggest that there will be no lull in innovation. In the summer of 1987 a student at MIT raced through the streets of Arlington, Mass., in his solar-powered car, hitting 50 miles an hour in the stretches. GM's more elegant Sunracer won a 1,950-mile contest across Australia against 23 solar competitors. MIT engineers built a human-powered plane weighing 80 pounds, which was pedaled 37 miles across the California desert a few feet off the ground. One like it crossed the Aegean Sea in 1988. This vehicle offers a special attraction for air travelers: you fly no higher than you are willing to fall.

At the other end of the spectrum, the experimental transatmospheric airliner of the future is now being readied for commercial flights anywhere in the world in two hours or less. Back on earth, development of transportation by magnetic levitation will eventually undermine the supremacy of the wheel as trains and individual vehicles "fly" at high speed a fraction of an inch above their guideways. Additional heralds of change outside the transportation field but of potential significance to it include the automation of factories and offices, advances in telecommunications, superconductors, new sources of energy, and changes in values and life-styles.

Under these circumstances, only the assurance that I will not be on earth in

Wilfred Owen, a guest scholar and former senior fellow at Brookings, is the author of Transportation and World Development (Johns Hopkins University Press, 1987) and other books. This article is based on an address presented at the annual meeting of the American Association of State Highway and Transportation Officials in December 1987.

2020 has given me the courage to predict the changes in transportation policy and method that will occur between now and then.

1. Highway Users Will Pay Higher Fees

We will continue to be a nation dedicated to the automobile, but without some changes in financial strategy we will be in for a rocky ride.

The latest biennial report from the secretary of transportation to Congress on the state of the nation's highways reveals that one-fifth of our most important 100,000 miles of highways are in poor condition. On the principal one million miles of roads and streets, 95,000 bridges are in need of repair. Traffic volumes on main routes and in suburbia have reached levels that subject 60 percent of all rush-hour traffic to congestion. The inventory did not include deficiencies on the 2.8 million miles of less traveled local roads, many of them known to provide unsatisfactory service for agriculture and rural communities. While the 5-cent federal gas tax increase in 1982 has helped to overcome the rapid deterioration that occurred prior to that time, the gap between needs and resources has narrowed only slightly as the growth of traffic has put added pressure on the system.

One would suppose that the nearly two-thirds of a trillion dollars spent every year for highway transportation in the United States should be more than enough to keep the roads in good condition. The reason this is not the case has to do with how we spend our highway transportation dollars. Consumers pay enormous sums to own and operate their automobiles, but they pay relatively little for the roads they ride on. Of the 30 cents a mile that it costs the average motorist to own and drive an intermediate-size car, 28 cents go for the vehicle and its operation and only 2 cents for the roads. Most people spend two and a half times as much per mile for automobile insurance as they pay for the 3.8 million miles of highways at their disposal.

Worsening congestion and unsafe driving conditions tell us that allocating only 7 cents of the highway transportation dollar for roads and streets may not be enough to meet the needs of 180 million motor vehicles. The National Council on Public Works Improvement proposed a logical remedy in a 1987 report to the president and Congress. If Americans were to spend another \$20 billion a year for roads, says the report, they would save \$100 billion a year in vehicle operating costs — in fuel consumption, accident prevention, and reduced traffic delays. Whatever the actual numbers, the fact is well documented that it costs less to drive on good roads than on bad ones.

To raise \$20 billion more a year from highway users means adding another cent for each mile driven to the cost of travel, minus the savings eventually realized from road improvements. For the average motorist getting 20 miles to the gallon, the solution would increase the federal gas tax by 20 cents a gallon. But spending a cent a mile more for traveling America's highways would not only lower the cost of driving but raise the spirits of drivers. It is a proposition that Congress will find impossible to resist.

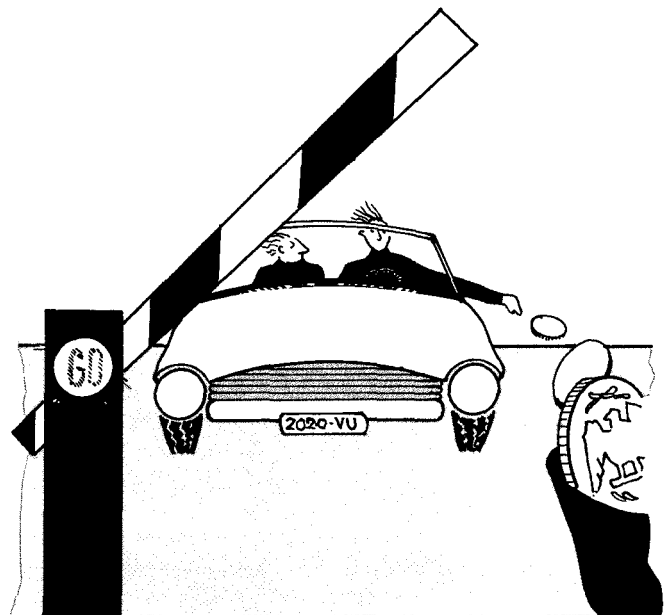
Even with the tax increase, financial problems will persist on the 43,000-mile Interstate Highway System. These high-standard coast-to-coast travelways comprise less than 1 percent of the nation's roads but carry 21 percent

of the traffic, and they absorb an inordinate amount of state and federal user taxes. The result has been to divert funds from other road systems, magnifying the size of the maintenance and replacement backlog on those other systems.

Yet nearly 5,000 miles of the Interstate System are in unsatisfactory condition, and the cost of restoring the system to even 1983 performance levels would require outlays of some \$84 billion (in 1985 dollars) between now and the year 2000. The system cannot generate that much revenue, plus pay for ongoing maintenance, because motorists pay no more for each mile they travel on this high-cost network than they do on an ordinary two-lane road. The deficit is made up by the fuel tax revenues generated by motorists all over the country, many of whom seldom if ever ride the Interstate. This cross-subsidy will have to stop if the rest of the nation's roads and streets are to be brought to acceptable standards. That will require users to pay a surcharge for driving on the Interstates, to be collected by each state in the system in the form of a ticket, toll, or pass.

One of the benefits of a surcharge is that state toll-road authorities can be empowered to adjust toll rates to needs and to the costs incurred to serve various classes of users. That would avoid the damaging financial shortfalls of the 1970s, when a quarter century of holding the federal gas tax to 4 cents a gallon resulted in a serious shortage of funds needed to keep pace with traffic and inflation. The situation was temporarily corrected when Congress passed the Surface Transportation Assistance Act of 1982, which raised the federal gas tax to 9 cents a gallon. But relying on an act of Congress to get the roads repaired was not a timely solution.

Paying what it takes to ensure adequate financing of the Interstates would prevent transportation history from repeating itself. It was resistance to rate adjustments years ago that nearly destroyed the nation's railroads. For many years the Interstate Commerce Commission denied general rate increases needed to maintain and upgrade the rail systems of the country, and there were long delays before



the commission acted on specific rate requests. Economic regulation usurped the powers of railroad management, concentrated decisionmaking in Washington, and contributed to the obsolescence of the railroads.

Public transit in cities went through the same process. In Boston the fare for the transit system was held at 5 cents for 25 years. In cities across the country, public utility commissions refused to permit higher fares to finance modernization and improve service. When pricing and service decisions were finally transferred back to management, it was too late, and public transit in the United States has never fully recovered.

For Interstate highways the shift to toll financing will ensure the continuing support necessary to keep the roads maintained, to extend and improve the system, to finance electronic guides for greater safety and efficiency, and later to achieve a fully automated Interstate System for the electric cars of the future.

Already 2,300 miles of the Interstate System are toll roads, a fact that suggests that extending the toll method should be relatively painless. Moreover, tollgates and cash payments will soon give way to credit cards and vehicle detection systems and to computerized monthly statements for highway use sent to drivers, much like a telephone bill.

2. Pricing and Technology Will Clear the Air

Traffic in the air, as on the highways, is concentrated on a limited system, and the system is heavily congested. User taxes paid into the Airway and Airport Trust Fund are inadequate to cover the aviation outlays of the federal government. Meanwhile air transport needs have multiplied as domestic passengers have doubled in 10 years.

According to the Federal Aviation Administration (FAA), an airport is not congested until it operates at 160 percent of capacity. On that basis, 16 major airports are congested now, and 42 more will join the list by the year 2020. A flight is not considered late until it is more than 15 minutes past schedule, and even on that basis 27,295 flights were late in August 1987. These conditions have been partially corrected, but much more could be done to price airport use by time of day to cover the cost of peak-hour traffic and to avoid traffic congestion at major airports comparable to conditions on major highways.

Physical and financial circumstances will persuade air transport officials to adopt the Air Transport Association's recommendation to transfer all aviation activities except safety from the FAA to an independent federal corporation. The corporation will operate the air traffic control system and airport aid programs and will foster congestion pricing and scheduling that spreads the traffic load more evenly over the day. The rewards will be those cited in a recent FAA study: if peak-hour charges were imposed throughout the air transport system, along with improved traffic control, 80 percent of the cost of traffic delays could be eliminated at the nation's 25 largest airports for the next 25 years.

As air traffic multiplies, airway and aircraft technology will come to the rescue of the airlines. Aircraft designed with vertical take-off and landing capabilities will replace the space-hungry planes of today. The new tilt-rotor aircraft will multiply the number of airports that can accommodate commercial carriers, and the resulting dis-

persal of air traffic will reduce airport congestion and alleviate access and parking problems at major terminals — incidentally helping to relieve one source of highway congestion.

3. High-Speed Ground Transport Will Add Relief

High-speed ground transportation will reduce highway and airway congestion on major routes. But that alternative ground transportation will not be Amtrak. Compared with conventional passenger trains of the United Kingdom, France, Germany, and Japan, Amtrak will be judged incapable of providing a 21st century answer. State departments of transportation will take on a new responsibility — some form of railway or guideway transportation on routes parallel to busy Interstate highways.

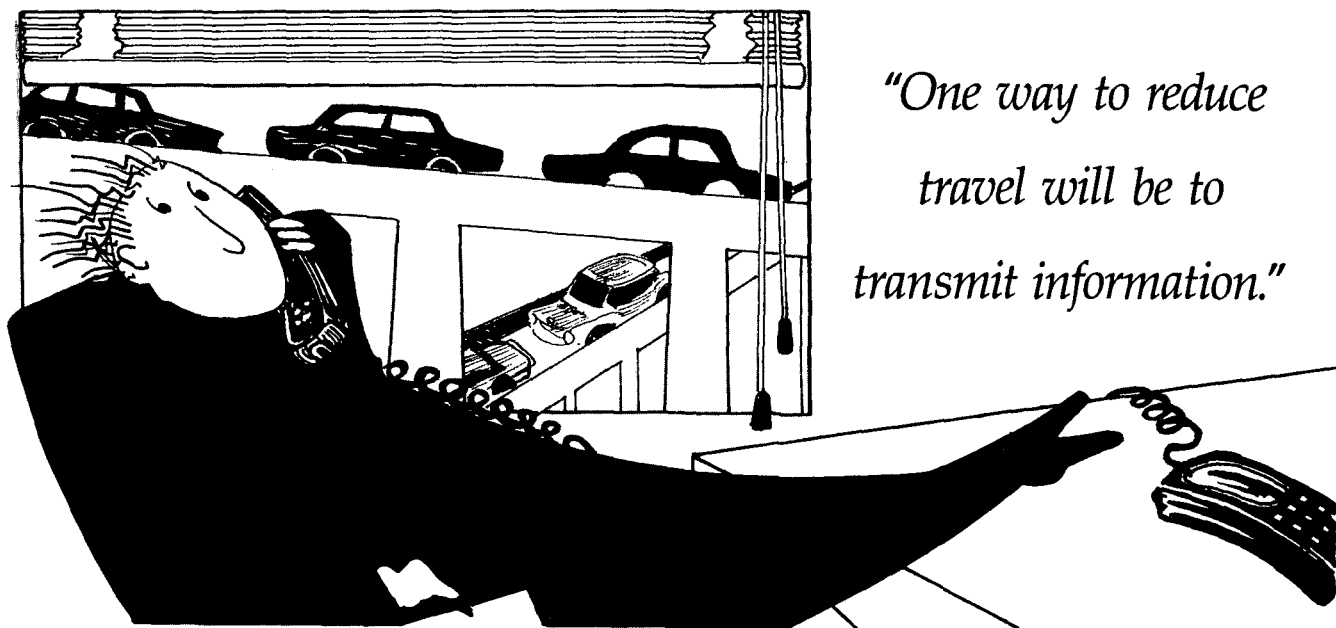
A number of states have recently received federal grants to study the possibility of high-speed rail service on routes between Los Angeles and San Diego, Philadelphia and Pittsburgh, Houston and Dallas, and Kansas City and St. Louis. The Coalition of Northeast Governors has also been looking for immediate low-cost relief through improved conventional rail services on the Boston-New York route.

The economic prospects for an American equivalent of the Japanese bullet trains or French TGV operations will continue to be discouraging, and so the United States will bypass today's high-speed rail solutions to await development of magnetically levitated vehicles moving just above the ground in concrete and metal guideways. That possibility seemed remote until the summer of 1987, when a sudden breakthrough in superconductor research moved us closer to a "maglev" solution. Previously it was necessary to cool materials to very low temperatures, using costly liquid helium, to achieve the frictionless passage of electricity that made magnetic levitation possible. But the discovery of new ceramic materials makes superconductivity possible at much higher temperatures, using relatively cheap liquid nitrogen. One result will be more powerful magnets that can lift and propel trains and vehicles along fixed troughs or guideways at energy costs far lower than for automobiles or airplanes. Discovery of room-temperature superconducting materials, already being envisioned, would hasten the advent of economical travel at speeds around 300 miles an hour, a development that would help to overcome much of today's main-line congestion.

In addition to intercity service, short- and medium-distance travel will be provided to outlying suburbs, resort areas, and tourist attractions now sometimes difficult to reach because of heavy traffic in peak periods. Maglev travel of this kind will be made available between Boston and Cape Cod, from Baltimore-Washington to the beaches of Maryland and Delaware, to Florida, along the California coast, and to new vacation areas capable of greatly expanding today's limited tourist accommodations. The ability of wheel-less trains to carry automobiles will be an important factor in offering passengers an attractive alternative to air and highway travel.

4. Freight Movement Will Be Modernized

Computers and containers have set the stage for the long-awaited intermodal freight transportation companies that



"One way to reduce travel will be to transmit information."

will combine all forms of transport under a single management. They will provide fast and reliable service that will help reduce total costs of production for American industry.

The effectiveness of intermodal freight systems can already be seen in operations such as Federal Express, which handles small packages at the rate of close to a million pieces a day for delivery in 100 countries. Container networks on land and sea already serve global markets, and carriers such as UPS and CSX are well established in intermodal goods movement. In the future the combination of short-haul trucking and fast container trains on a limited system of railroad main lines will increase the speed and efficiency of delivery services. A reduction in rail mileage will permit abandoned rights-of-way to be paved for the exclusive use of trucks. The resulting separation of freight and passenger movements on heavily traveled main highways will be a major factor in lowering accident rates and reducing congestion.

5. Telecommunications Will Come to the Rescue

Turning to the demand side of the problem, transportation will take a lesson from the health sector. When medical costs kept rising and services got no better, doctors decided that the best approach to better health was not to build more hospitals but to reduce the need for medical care. Demand could be lowered by convincing people of the benefits of more rest, more exercise, and less carousing. In the transport field, demand could be reduced by preventive measures that eliminate the conditions generating traffic.

One way to reduce travel will be to transmit information. Many routine transactions that once required transportation to a bank, a store, an office, or a library will be avoided. The declining cost of telecommunications and the rising cost of transportation will encourage the use of communication for trips that people would prefer not to take.

A further reduction in traffic congestion will occur as the

combination of fast transportation and cheap communications permits the greater dispersal of living and working. Commuter traffic will decline as workers reduce the frequency and length of trips to congested areas. Since consumers will continue to allocate some 14 percent of their incomes for travel, a reduction in unwanted local trips will leave more money for long-distance and international journeys.

6. The Cities Will Be Transformed

An important contribution to managing transport demand will be the redesign and rebuilding of obsolete cities. Traffic can be reduced by clustering housing, jobs, commercial development, and recreation in pleasant neighborhoods. Urban design of this kind will provide built-in solutions to routine transportation requirements for those who wish to take advantage of the choice. According to computer simulations conducted by California local governments, the only cure for traffic congestion that works is to bring jobs and housing closer together.

Urban design will help alleviate transportation problems, but transportation in turn will help achieve more satisfactory urban design. State transportation departments and urban developers will join in this effort. Transport's role will be to make use of the streets to provide the basic framework for community restoration. Some streets will be vacated for buildings, others converted to parks and playspace, and still others landscaped to create boulevards. Separate rights-of-way for buses, vans, and other public conveyances will ensure access and mobility in urban areas for young and old.

Some of the nation's leading corporations are already established in the business of building large clusters of new development such as Battery Park City in New York, downtown Baltimore and Norfolk, the center of Phoenix, and a dozen high-density suburban centers surrounding Washington, D.C. Ancient waterfront properties in Boston,

once used for commercial docks and warehouses, have become the scene of high-rise offices, restaurants, and apartments. Commuter boats run between downtown and the suburbs, and ferries docking in the financial district deliver travelers to Logan International Airport in seven minutes. Boston's elevated central artery will be torn down long before 2020, the roadways moved underground, and the city once again opened to the sea. The future will witness such neighborhood restorations throughout the nation.

7. Urban Geography Will Change

Reducing traffic congestion in an urbanized nation will also be accomplished by dispersing self-contained new towns or expanded old towns over the wider areas made accessible by transportation and telecommunications. In combination, these technologies will make many new sites attractive for businesses and residences and will create extensive systems of small and moderate-sized communities.

There are global precedents for what will be taking place. The movement began with British new towns, the satellite towns of Stockholm, and the urban communities dispersed around Paris. Japan has already built large new communities on the outskirts of Osaka and Tokyo, and Singapore has completed 20 new communities in outlying areas. The building of express highways, railroads, and automated transit systems will make the new communities more accessible and will join them to one another and to the central city.

In the United States, private developers began city-building on a giant scale 25 years ago in Reston, Va., and Columbia, Md. Aided by state transportation departments, city-building corporations in the future will create numerous but more modest-sized communities containing a mix of housing, jobs, and services. Automated highways, high-speed ground transport, and aircraft taking off and landing vertically will join with telecommunications to serve the multicentered metropolis of 2020.

8. DOT Will Become a National Strategy Center

Relieving the federal Department of Transportation (DOT) of responsibility for air traffic control, the Interstate System, and other roads and streets will produce an unexpected benefit. Without these activities, the department will be able to focus on research and development and on the role of transportation in furthering national goals. DOT, as a national transportation strategy center, will pioneer many of the institutional, financial, and technological breakthroughs that will make America a more mobile, livable, and economically viable nation. Federal research and development will focus on problems of safety, energy, and the environment and on the role of transportation in supporting industry, agriculture, and trade.

The importance of the new federal role is highlighted by a study of the National Science Foundation and the Academy of Engineering, which in 1987 concluded that many American businesses, universities, scientists, and engineers were ignoring technological advances abroad. The report called for greater emphasis on the global

exchange of information and experience and on the need for cooperative international research and development to avoid a lag between innovations abroad and their adoption in the United States. The Transportation Strategy Center, together with the department's Transportation Systems Center in Cambridge, Mass., will respond to this challenge by stepping up the global exchange of information and the analysis of experience in other countries.

9. The Global Transport System Will Be Extended

Two-thirds of the world's people live in isolation and poverty. Yet even with severely limited production and income, these countries take in a third of all U.S. exports. If they were able to produce more goods and services, earn more income, and buy more from the United States and the rest of the world, international transactions would be multiplied many times over. But lack of transportation thwarts every effort to overcome poverty, and sustained world prosperity is impossible when vast areas are disconnected from the economic mainstream.

The task of building a basic transport network to serve the entire planet will turn out to be the greatest public works program in history. The United States and other developed nations will agree to a world user charge on international trade and travel to finance the transportation infrastructure needed to support modern industry and agriculture in the Third World, to decongest megacities and guide urban growth, and to build mutually beneficial trade among rich nations and poor.

The U.S. effort will rely heavily on the loan of staffs from state departments of transportation to assist the Third World in resolving financial, organizational, technical, and training problems associated with building, maintaining, and operating passenger and freight systems. Telecommunications will facilitate technical assistance efforts and narrow the information gap between north and south. These efforts will return large dividends to the American economy in trade, travel, and investment opportunities. A planet made interdependent by transportation and communications will use these tools to create a world of shared economic progress.

10. A New Vision of the Future Will Be Created

In summary, the year 2020 will find that the transportation programs begun in 1988 were designed to serve the nation well.

Along with improvements within the transportation system itself, there will have emerged a more outward-looking industry heavily involved in furthering America's urgent economic and social needs: reducing transportation demands on the federal budget, facilitating world trade, increasing productivity, overcoming waste, safeguarding the environment, stimulating economic growth, upgrading the cities, and promoting international cooperation and development. Focusing on the future will yield a new perspective: transportation is capable not only of creating better ways of moving but of helping to bring about a higher quality of living.

One last prediction: Brookings will reprint this paper in 2020, to warn against the folly of predicting the future of transportation.

The Politics of On-Site Verification

Janne E. Nolan

THE BROAD BIPARTISAN SUPPORT for the recently concluded Treaty on the Elimination of Intermediate- and Shorter-Range Missiles (INF) is often attributed to its achievements and innovations in intrusive on-site inspection measures. A majority in Congress, the two presidential nominees, and large segments of the media and public have acclaimed the exacting verification standards included in the treaty. Together with the elimination of two entire classes of weapons, the verification provisions are widely praised as signs of unprecedented progress in the conduct of arms control and a political tour de force for the Reagan administration.

The success of the INF treaty has encouraged optimism among many that comprehensive reductions in strategic forces might be achievable despite the far greater complexities involved. The INF treaty provided the basis for an agreement, signed at the December 1987 summit, that outlined verification provisions for negotiators to consider at the strategic arms reduction talks (START) in Geneva. These measures included continuous on-site monitoring of designated military facilities, short-notice on-site inspections at declared locations, and "challenge" inspections at sites where covert, illegal actions are suspected. The conclusion of even tentative accords on such ambitious verification measures vastly exceeded the expectations of both congressional arms control proponents and their critics.

The appearance of broad political consensus on behalf of on-site inspection is misleading, however. Support for the INF agreement in no way implies the dawning of a new age of consensus in Congress or among the public in favor of strategic arms control or about verification. To the contrary, the INF debate forced a far greater appreciation in Congress of the complexities associated with defining the objectives and scope of all future verification measures in general and of on-site inspection in particular.

The degree of controversy over verification reflects not only the lack of operational experience about on-site inspection, but also the fundamentally new political challenges posed by unexpected Soviet flexibility in this area. Before the INF treaty, it was assumed that the Soviets would never agree to on-site verification. As a result, the concept became little more than a rhetorical rallying point in partisan disputes about the desirability and negotiability of various measures to limit nuclear arms. Those who supported arms control tended to be less concerned about strict on-site verification requirements. Those opposed to arms control tended to advocate high levels of intrusion — arguably as much to preempt agreements as to ensure their verifiability.

Once the Soviets agreed to intrusive verification measures, the general congressional view shifted from the notion that on-site inspection was, a priori, a benefit for American security, were it ever to prove negotiable, to the realization

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*"In short, the key
political challenge
in winning approval
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will be . . . how to
define 'how much
verification is enough.'
The task will
not be easy"*

that intrusive verification measures are not ends but means that pose their own dangers and limitations. An issue already proving to be divisive is how to protect the security of sensitive activities being conducted at military installations the Soviets are permitted to inspect under the INF treaty. For some, especially conservatives, the debate seems to have come full circle. Where once they claimed on-site inspection was the only way to ensure that the Soviet Union would not dupe the trusting West, now they say it could serve as the very method to do so.

The politics of verification are complicated by the technical complexities of the issue. It is axiomatic that highly complex issues fare badly in the adversarial process of democracy and that political alignments on such subjects are based only rarely on detailed analysis. Despite the appearance during INF hearings of careful examination of verification arrangements, from "portal monitoring" (keeping continuous watch on all entries and exits at designated inspection sites) to the meaning of *force majeure* (specifying reasons why one side could refuse a request for a surprise inspection), only a small minority has expressed interest in the detail of the agreement. Few senators who offered verification amendments to the treaty could truthfully say they were motivated by purely technical concerns.

The controversies over INF verification will likely seem

quite modest compared with congressional scrutiny of any START agreement. The Senate Intelligence Committee qualified its support for INF, saying categorically that monitoring compliance will be vastly more complicated in a START environment. This statement is as much a political signal as it is a note of caution about the technical issues.

In short, the key political challenge in winning approval of any START agreement will be, as Senator Bill Bradley put it recently, how to define "how much verification is enough." The task will not be easy now that it is recognized that even very exacting on-site verification does not provide anything approximating the degree of technical certainty necessary to insulate arms limitation agreements from politics. Nonetheless, an examination of the historical context that shaped political attitudes about on-site verification and of the INF ratification debate highlights several key issues that must still be resolved and offers some lessons for building a broad consensus on verification policies for future arms control efforts.

The Historical Context

The concept of on-site inspections began its political history as part of a series of quixotic and politically elusive efforts to negotiate broad international agreements to control atomic energy and weapons. Initial optimism in the 1940s and 1950s about the possibility of comprehensive international agreements gave way to more pragmatic and modest proposals in the 1960s and 1970s after it was clear that the Soviet Union would not agree to intrusive monitoring. All early efforts to establish comprehensive international controls over nuclear weapons, including the Baruch Plan, President Eisenhower's "Open Skies," and President Kennedy's efforts for a comprehensive test ban, had stumbled over this issue. Since it was always the Soviets who demurred, U.S. domestic reaction to the prospect of Soviets inspecting Western military installations was never actually tested.

By the time the strategic arms limitation talks (SALT) began in 1969, technological advances permitted the United States to consider arms limitations that could be monitored by national technical means (NTM) — a euphemism for the array of technologies, such as reconnaissance satellites, used to gather intelligence about Soviet military activities. Given the apparent nonnegotiability of on-site verification, it became almost an article of faith among arms control experts that the limits of NTM set the outer boundaries of potential arms control agreements. But if the verification limitations restricted the scope of possible controls on Soviet weapon systems, they also provided the United States with a political pretext for avoiding limitations on technologies it wanted to pursue.

Tentative discussions in the 1970s about banning multiply independently targetable re-entry vehicles (MIRVs), for example, were readily dismissed because of the requirement for what was widely believed to be an impossibly exacting verification regime. No one could argue convincingly that the United States or the Soviet Union would permit the other side to examine missiles physically in order to count the number of deployed warheads, the only way to actually verify MIRV limits.

Senator Edmund S. Muskie stated the problem in floor

debate on April 9, 1970. Once MIRV deployment went forward, he said, "the door is completely shut on the possibility of banning MIRVs. For once MIRVs are placed on missiles, the only means of verification is on-site inspection and a can opener. Neither the Russians nor ourselves are ready for this kind of intrusive inspection." For MIRV critics, the fact that deployed MIRVs could not be counted was a key reason for banning them. As long as on-site verification was agreed to be a political illusion, however, MIRV critics had to cede the terms of the debate to those who claimed that the inability to verify compliance with a MIRV ban was the very reason why the United States could not pursue it.

Verification was not a major congressional concern when the ABM treaty and SALT I interim agreements were submitted to the Senate in 1972, although controversies did arise sporadically during the ratification process and, more seriously, after the agreements were in force. The main task for the Nixon administration was to assure critics that U.S. NTM capabilities were fully adequate to detect Soviet violations and to monitor Soviet advances, including the possible Soviet development of ABM systems and deployment of mobile missiles.

That the administration successfully allayed congressional concerns on these points is largely attributable to the fact that a hard-line Republican president is far less vulnerable to political attacks from conservatives — the mainstay of the constituency that insists on high-confidence verification. The less ambitious scope of SALT I, largely absent limits that would test NTM capabilities, also helped to dampen congressional disputes on verification.

An Achilles' Heel

During Jimmy Carter's presidency, most of the substantive progress in on-site verification occurred in negotiations over a comprehensive test ban. Although Congress largely ignored these developments, the negotiations elicited the first tangible signs that the Soviets might be willing to agree to challenge inspections and to permit the installation of unmanned seismic stations on Soviet territory. Championed by only a small coalition of congressional liberals, however, the test ban deliberations were vastly overshadowed by preoccupation with SALT II.

The SALT II agreement galvanized congressional and public disputes over verification. The widespread perception of Carter as a weak president bent on excessive accommodation with the Soviet Union coincided with growing Soviet global adventurism and seemingly willful efforts to test the limits of agreements. Even though cautiously supportive of the treaty, both the Senate Intelligence and Foreign Relations committees noted the political problems the Soviets posed by pressing the ambiguities in accords. In their respective reports on SALT II, the committees urged that even militarily insignificant violations be "quickly and forcefully" pursued, no matter how minor.

The inclusion of qualitative limits in SALT II complicated the task of persuading the Senate that compliance was verifiable. Vague assurances from the administration that the Soviets had "low incentives to cheat" were not particularly convincing. The Senate Foreign Relations Committee noted a number of monitoring uncertainties,

including questions about how to track mobile ICBM deployments, the possible covert deployment of MIRVs beyond the agreed limits, deployment of cruise missiles, and a potential increase in the range of the Backfire bomber.

Almost in passing, the report urged that future agreements contain on-site inspection provisions. But a majority of the committee assumed that more stringent cooperative measures were neither necessary nor feasible for SALT II. The Senate Intelligence Committee noted in its report the problems posed by qualitative limitations but concluded that SALT II enhanced "the ability of the U.S. to monitor those components of Soviet strategic weapons . . . subject to Treaty limitations" and that "most counting provisions can be monitored with high confidence. . . ." The committee made no reference to intrusive verification.

As the debate evolved, however, the impression gained ground that the Carter administration had agreed to vaguely worded provisions that exceeded the capability of NTM monitoring. Few members of Congress could comfortably support the view that American security would not be jeopardized by trading some verification certainty for desirable constraints on Soviet weapons.

The failure of SALT II arguably had more to do with Carter's declining domestic support and the deterioration of U.S.-Soviet relations than with the treaty's actual

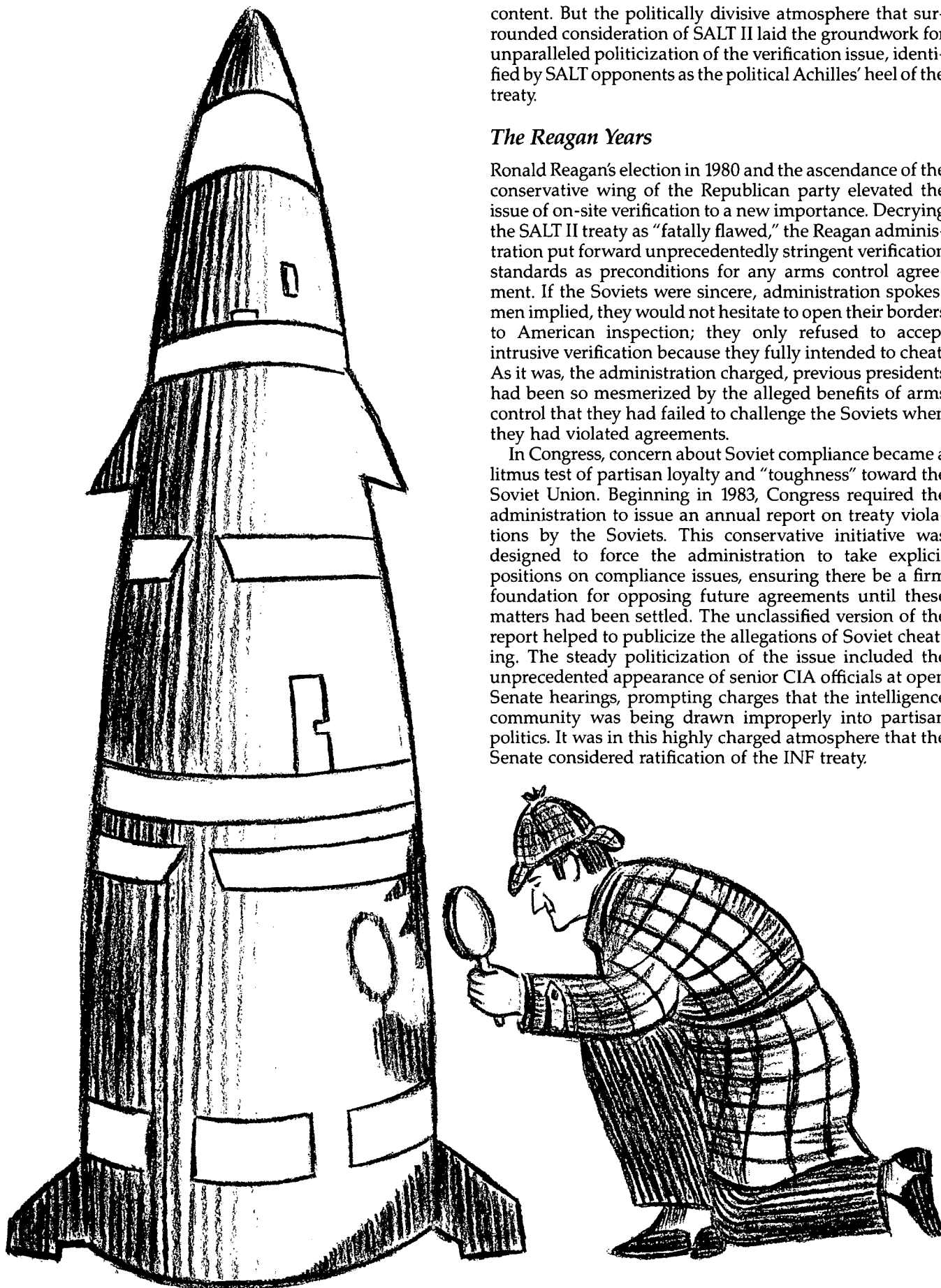
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content. But the politically divisive atmosphere that surrounded consideration of SALT II laid the groundwork for unparalleled politicization of the verification issue, identified by SALT opponents as the political Achilles' heel of the treaty.

The Reagan Years

Ronald Reagan's election in 1980 and the ascendance of the conservative wing of the Republican party elevated the issue of on-site verification to a new importance. Decrying the SALT II treaty as "fatally flawed," the Reagan administration put forward unprecedentedly stringent verification standards as preconditions for any arms control agreement. If the Soviets were sincere, administration spokesmen implied, they would not hesitate to open their borders to American inspection; they only refused to accept intrusive verification because they fully intended to cheat. As it was, the administration charged, previous presidents had been so mesmerized by the alleged benefits of arms control that they had failed to challenge the Soviets when they had violated agreements.

In Congress, concern about Soviet compliance became a litmus test of partisan loyalty and "toughness" toward the Soviet Union. Beginning in 1983, Congress required the administration to issue an annual report on treaty violations by the Soviets. This conservative initiative was designed to force the administration to take explicit positions on compliance issues, ensuring there be a firm foundation for opposing future agreements until these matters had been settled. The unclassified version of the report helped to publicize the allegations of Soviet cheating. The steady politicization of the issue included the unprecedented appearance of senior CIA officials at open Senate hearings, prompting charges that the intelligence community was being drawn improperly into partisan politics. It was in this highly charged atmosphere that the Senate considered ratification of the INF treaty.



Unresolved Issues

One by-product of the ratification debate has been the perception that the INF regime is an inadequate standard for limitations on strategic forces. Given the far more challenging problems posed by START — including the difficulties of verifying limits on cruise missiles and mobile ballistic missiles — the political appetite for extremely high-confidence verification will not be easily satisfied.

The partisan political environment surrounding verification is already testing the ability of legislators to reach agreement on difficult questions such as how to define “effective” verification, how to plan for new fiscal resources to meet on-site inspection requirements, how to assess the military significance of violations, and how to enforce treaty compliance once a violation is detected. The following broad issues still divide congressional opinion and will have to be addressed by any administration that wants to win ratification of future arms control agreements.

Desirable Levels of Intrusion

Having pushed for years for an agreement that would allow U.S. inspectors physical access to Soviet military sites “anywhere, anytime,” the Reagan administration was shocked when the Soviets agreed. By selling verification as an end in itself, the administration had obscured for years the risks involved in on-site inspections and the fundamental trade-offs between fail-safe verification and flexibility in arms restraints. The administration also underestimated the domestic sensitivities that on-site inspection posed. The idea of reciprocity, with Soviet inspectors roaming freely through Silicon Valley and “Stealth” bomber production lines, was truly sobering, and the administration was forced to revise its original package of intrusive verification proposals.

The actual INF regime is a serious modification of the “anywhere, anytime” formulation. In addition to routine types of monitoring arrangements, it allows for only a limited number of short-notice and challenge inspections at several declared locations. Direct inspections of production facilities were left out, at U.S. insistence, to protect non-INF-related technologies and manufacturing methods that occur at those facilities.

The appearance of U.S. retrenchment from its previous position created a political liability that INF critics have duly exploited. Former Assistant Secretary of Defense Richard Perle, for example, observed that restricting challenge inspections to a few designated areas is worse than useless: “The last place the Soviets would choose to hide missiles is in the relatively few areas that we would be permitted to inspect. . . . Something like 99.999 percent of Soviet territory would be off-limits to U.S. inspectors.” A group of hard-line conservative Republican senators, including Jesse Helms, Steve Symms, James A. McClure, Larry Pressler, and Dan Quayle, agreed with Perle’s assessment. “In the closing weeks of deliberations . . . the United States gave up what had been considered fundamentally important issues . . . including the right to check suspect sites,” Helms noted during committee hearings.

The difficulties of balancing the need for intrusion against concerns about espionage will become far more

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conspicuous if a START agreement is reached. The prospect of Soviet inspectors in the United States is already proving to be a logistical and political challenge under the more limited terms of INF; concerns range from the mundane issues of visas and housing to more serious questions about security. The key issue, called "collateral intelligence," is how to prevent sensitive military information from being revealed unintentionally to the Soviets during site visits. To some there is an inherent disparity between what the Soviets could learn in the United States, an open society where the maintenance of secrecy is always difficult, and what the United States might be able to glean from its visits to Soviet sites, which are more tightly secured. Collateral intelligence has become a buzz-word on Capitol Hill that threatens to replace compliance as a partisan issue.

Defining a Significant Infraction

Having challenged Carter's willingness to accept less-than-perfect verification, the Reagan administration now finds itself in the same situation. The recognition that no agreement is ever technically or politically unassailable has forced administration spokesmen to revive the pre-1980 vocabulary of arms control. Many observers have noted the irony of administration witnesses resorting to language reminiscent of the SALT II debate when they discuss confidence in verification capabilities. In its report on the INF treaty, the Senate Foreign Relations Committee pointed to "the similarity between the Reagan Administra-

tion's verification standard for the INF Treaty and the verification standard the Carter Administration sought to apply to SALT II. . . . Ambassador Nitze testified that 'effective verification' means 'If the other side moves beyond the limits of the Treaty in any significant way, we should be able to detect such violation in time to respond effectively and thereby deny the other side the benefit of the violation.' As Senator Biden pointed out, this statement is 'not dissimilar' to what Harold Brown [then secretary of defense] said eight years ago with regard to the SALT II Treaty."

Ironies aside, there is no congressional consensus about how to define "significant." The INF deliberations showed that supporters of the treaty emphasize the need to detect violations of military significance — calculable losses to Western security. Opponents and skeptics stress the importance of detecting even marginal infractions — signs of Soviet intent or theoretical capacity to cheat. Even if agreement were reached on what might be militarily troublesome, the political challenge of defining violations or perceived violations will still be daunting if Congress continues its current level of partisan scrutiny.

Substituting On-Site Inspection for NTM

There is a fundamental and unresolved question in the political perception of the benefits of on-site inspection whose antecedents go back to SALT I. Can on-site inspection enhance confidence to the point of permitting more ambitious arms control limitations, not just complementing but in some cases replacing verification by national technical means? Or will on-site verification always be so fraught with technical and political difficulties that it is at best a modest "confidence-building measure" that provides limited support to NTM functions?

The hard-line liberal view today is that the degree of cooperation required by intrusive measures suggests prospects for broader accommodation between the superpowers. The cooperation involved in on-site monitoring activities in and of itself provides an operational avenue for confidence building, it is argued, much like risk reduction centers or improved communications links. As the Foreign Relations Committee asserted, "The INF Treaty's on-site inspections could promote a desirable opening up of Soviet society which could ease superpower tensions."

In contrast, many conservative and moderate legislators are more concerned with the possible dangers posed by the INF on-site verification regime. The Republican members of the House Select Committee on Intelligence summarized these views in November 1987: "Badly conceived on-site inspection provisions may be worse than nothing because they encourage a false sense of security. There is a danger that we will spend large sums of money on systems to monitor weapons destruction, production, or deployment at declared sites, simply shifting the incentive for cheating to other unmonitored locations and using money that could have been spent better on other forms of [intelligence] collection. . . . Even challenge inspections can be foiled if there is a short lag-time before investigators are allowed at the site. Virtually no one seriously believes the USSR in practice would allow an inspection that might confirm a Soviet violation, although the USSR might allow observation if there was an opportunity to remove such

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The Funding Gap

Despite the political cacophony about the vital importance of high-confidence verification, relatively low priority has been given to funding for verification technology. The actual amount dedicated to research and development of new on-site verification concepts has been very modest, on average less than \$50 million annually throughout the 1980s — this in a defense budget that has increased 50 percent between 1981 and 1987, from \$200 billion to nearly \$300 billion.

It should be noted that the most ardent advocates of high-confidence verification, political conservatives, have done little to accelerate funding in this area. Occasional efforts to amend a defense authorization or appropriations bill to add funds for verification have tended to be sponsored by moderates and liberals and, until the conclusion of the INF treaty, fared badly. Two examples are illustrative.

In 1985 Democratic Senators Edward M. Kennedy, Jeff Bingaman, and Gary Hart offered an amendment to the fiscal 1986 defense authorization bill to add \$10 million to pursue promising research in seismic monitoring, which could improve the ability to verify nuclear testing limits. Although the request was a tiny fraction of the entire bill, it

evidence first, thereby encouraging Western self-doubt or complacency."

The majority view on this issue is likely to fall somewhere in the middle, recognizing that on-site inspection functions can provide a backup to NTM as well as operational experience in cooperative measures. "On-site inspections are generally regarded as a way to supplement National Technical Means in order to permit highly specific and restrictive arms control provisions," wrote the majority members of the House Intelligence Committee in the same report. "Testimony revealed, however, that policy planners must be cautious in relying on on-site inspection as a solution to verification problems. Challenge inspections in particular are inherently susceptible to being impeded by the challenged party using its physical control of the area to be investigated."

Certainty vs. Flexibility

Another issue that awaits a political resolution is the desirable balance between verification requirements and the scope of arms limitations. There is concern that if given too high a priority, verification requirements could interfere with force planning. The problem of verifying the difference between conventional and nuclear-armed cruise missiles, for example, was a critical factor in the decision to ban all ground-launched cruise missiles in the INF treaty. The question of limitations on sea-launched cruise missiles (SLCMs) in START negotiations is still a matter of considerable dispute, however.

The Senate Intelligence Committee report on the INF treaty emphasizes that the benefits of high-confidence

incited partisan suspicion because of its liberal sponsors. The add-on was approved after protracted debate in the Armed Services Committee and passed on the Senate floor only after complicated behind-the-scenes negotiations with Republicans. By the time it emerged from the appropriations process, funding had been reduced to \$3.5 million.

Noting that the United States did not have the capability to verify its own draft treaty banning chemical weapons, Senator William Cohen urged additional funding in fiscal 1987 for a program to develop mobile instrumentation at the Army Chemical Research and Development Center. Although approved by the authorizing committees, the request for \$6 million in reprogrammed funds was resisted by the administration and axed by the Senate Appropriations Committee, which deemed it "unnecessary."

The politics of verification funding points to one obvious conclusion: verification is a hot political issue when it involves the drama of charging the Soviets with violations but ceases to be of general interest when it comes to the more prosaic technical challenges involved in enhancing monitoring capabilities.

verification should not be oversold, noting a "tension between monitoring requirements and overall strategic needs" in decisions such as the ban on ground-launched cruise missiles and exclusion of "anywhere, anytime" inspection measures that pose concerns about Soviet counterintelligence.

In contrast, the Foreign Relations Committee questioned the wisdom of not banning SLCMs, saying that a majority "found it difficult to understand why protecting U.S. conventional cruise missile capabilities and options is more important than insuring the overall verifiability of the emerging START Treaty." This clear split on the approach to verification in general and to sea-launched cruise missiles in particular will prove a challenge in the event of a START agreement.

How Much Will It Cost?

Support for arms control has not yet been fully tested on financial grounds, but that is a controversy of potentially major proportions in a constrained fiscal environment. The demand for funds to implement the INF agreement, to say nothing of a possible START or conventional force reduction treaty, is already a source of congressional friction. The administration's estimate that it will cost \$180–\$200 million in 1988 alone to fund the requirements of missile dismantlement and establishment of monitoring sites for INF caused consternation among members of the Armed Services and Foreign Relations committees. Although some estimates, including that of the Congressional Budget Office, suggest substantial savings from lower force levels will accrue over time, the initial years will require substan-

tial additions to the defense budget. Simply by undoing the public perception that arms control "saves money," on-site verification may undercut one source of public support for future agreements.

More important, the intelligence community and its supporters on the Senate Intelligence Committee seized upon the INF debate as an opportunity to highlight what they consider to be deficiencies in U.S. intelligence capabilities. Lurking behind the cautious prose generally conceding the verifiability of INF, the committee issued an urgent plea for funds: "The Committee . . . recommends that the Congress authorize and appropriate funds required to initiate a long-term program to modernize and improve upon current plans for intelligence collection. It specifically recommends investing more in programs that would be most helpful in verifying a START treaty, in preventing technological surprise and in supporting U.S. policy and operations in crises."

Underscoring the new demands on-site inspection places upon intelligence, especially counterintelligence problems posed in a START regime, the committee also set out the principle that arms control agreements must not dictate U.S. intelligence capabilities. With or without a START agreement, the committee said, U.S. intelligence should be equipped to detect violations of weapons limits (as opposed to weapons bans), unanticipated improvements in Soviet strategic forces, and possible Soviet technological breakthroughs.

The establishment of the On-Site Inspection Agency, created to implement the INF agreement, may also provide grounds for interagency competition and congressional dispute, especially if funds are diverted to it from existing programs. To date, it is not clear how the new agency will carry out its mission or be funded, but it is safe to predict that any fiscal competition with installations that have powerful congressional supporters — such as the nuclear laboratories — is likely to meet with resistance.

A Strategy for Consensus

Even though the details of the verification arrangements for a START agreement are still in evolution, the patterns of the INF on-site inspection debate suggest some steps any administration could take to maximize political support in Congress for the prospective accord.

The administration must consult with congressional leaders on all aspects of treaty verification. There has been a clear pattern of success in those instances when the Senate leadership — particularly its Arms Control Observer Group — has been included in sensitive deliberations. In contrast, all efforts to circumvent congressional authority have proven demonstrably self-defeating. The Senate's demand for access to the full INF treaty record and the wrangling over its specific intent regarding future systems, for instance, are direct by-products of the administration's failed attempt to advance on its own a new interpretation of the ABM treaty. Congress may be weak in its ability to absorb technical details, but it is consistent in the protection of one sacrosanct privilege — prerogative.

The immediate need is for intensive consultations with responsible congressional leaders on the verification requirements of any prospective START agreement. Reagan administration officials (and those in the administration

that will take office in January) have time to carry out a series of private conversations before completing the verification package for START. Politically acceptable verification provisions, along with a national program to expand intelligence capabilities, could ensure a workable two-thirds majority in the Senate for ratification of the prospective agreement. It is evident that a minority will never be satisfied; a coalition of liberals and moderates should not be too difficult to put together, given flexibility on the administration's part.

Too often in the past, the administration has defined consultations with Congress to mean cursory briefings, intended solely to inform a dependent partner. During the past eight years, Congress has demonstrated convincingly its determination and ability to play a decisive role in arms control. Given the already heated nature of the debate on START, well in advance of the treaty's conclusion, it is clear that what is needed now is true collaboration.

Over the longer term, three types of actions are necessary to ensure the effective verification of arms control agreements. Greater thought must be given to verification requirements, including the degree and desirability of on-site inspection *prior to the tabling of new draft agreements or negotiating positions*. The U.S. draft chemical weapons ban is a persuasive case in point. Because few took seriously the possibility that the Soviets might be receptive to such an agreement, virtually no consideration was given beforehand to how it actually might be verified. Just as the United States was caught short when the Soviets agreed to the "zero-option" for intermediate-range nuclear weapons, so were we surprised when the Soviets agreed to go forward with the chemical weapons agreement. That left the United States with the unhappy choice of either hammering out intrusive verification procedures, many of which we would prefer not to see implemented, or backpedaling from supposedly principled arms control advocacy, which would have political effects on allied governments as well as friendly publics. Far better to evaluate verification requirements ahead of time and to table only agreements for which the means of verification are technically in hand and politically acceptable.

Investments should be made to develop cooperative technical schemes for verifying arms control arrangements. Some of this work might be done in cooperation with the Soviet Union; most should be done in our own laboratories. Systems involving the use of sophisticated remote sensors and other devices can reduce requirements for on-site inspections, thus ensuring confidence in our ability to verify compliance with agreements without creating opportunities for Soviet deception or intelligence gathering. Many such ideas already exist in laboratories and think tanks around the country. High-level political attention is necessary, however, along with adequate funding to ensure their implementation.

Congress and the executive must work out a long-term funding strategy for verification that fully accommodates future intelligence requirements and balances priorities among participating agencies. As long as the need to reduce the deficit overshadows all other priorities, planning for verification funding, based on bipartisan support, is the only way to mitigate the likelihood of excessive cuts or erratic appropriations for vital monitoring and enforcement functions.

Federalism After Reagan

Timothy Conlan

RONALD REAGAN came to Washington in 1981 proclaiming he was committed “heart and soul” to reforming the federal system. He sought to reverse the growth of domestic federal spending and responsibilities, to restructure Washington’s relationships with the states and the private sector, and, above all, to roll back the modern welfare state. Despite the boldness of this agenda, Reagan seems to have accomplished much of what he set out to do. Thanks in no small part to his policies, the federal government has swung from two decades of growth and activism at the national level to a surge of innovation at the state and local levels.

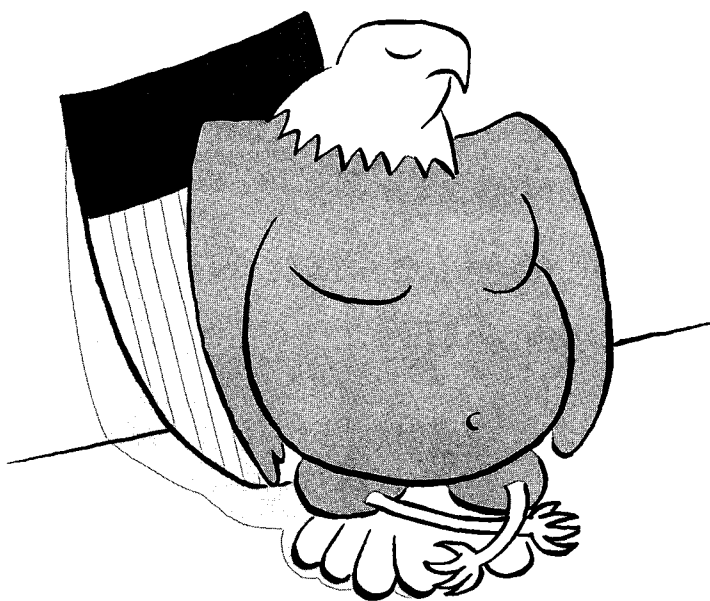
Has the system now found a balance that is likely to last for the foreseeable future? The answer to that question depends to some extent on the policies of the next administration and on unpredictable events. But it also depends on the interplay between Reagan’s legacy and evolving trends in intergovernmental relations. Viewing the new vitality in state and local governments, many people believe that the federal system may have reached a balance reminiscent of the “cooperative federalism” of the 1950s. Yet there are also signs that this vitality may be overshadowed by subtle pressures coming from the federal government, which could lead instead to what might be called “cooptive federalism.”

Reagan’s Ironic Legacy

The distinctiveness of Reagan’s agenda for domestic governance is typically illustrated by contrasting it with that of Lyndon Johnson. It is easy to picture a pendulum swinging away from the liberal Democrat who launched an outpouring of new federal programs toward the conservative Republican who asserts that the best government is the least government. In some respects, however, the extent of Reagan’s departure from the patterns of the past can be seen more clearly through comparisons with fellow conservative Richard Nixon. That is particularly true in the many areas where each sought to advance his domestic priorities under the general rubric of New Federalism.

Nixon’s New Federalism constituted a coherent strategy to streamline an energetic government. Fully at ease with the concept of governmental activism — both domestically and internationally — Nixon was principally concerned with how to channel its energy and where to locate the wellsprings of initiative. He proposed to sort out functional responsibilities among the various governmental levels so that government would be “leaner, but . . . stronger.” To Nixon this redistribution meant that responsibilities for some areas such as welfare should be centered in the national government. More typically, his plan required greater decentralization through block grants, general revenue sharing, and similar mechanisms. As he wrote in the margin of one memo, Nixon believed that

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"decentralization is not an excuse for inaction, but a key to action."

In contrast, Reagan's New Federalism was intended to reduce the size and growth of the welfare state — not only in Washington but at all levels of government. Reagan had long believed that stopping growth at the national level was only part of the solution. To "put an effective lid on spending," he argued, one had to dismantle federal grant programs that spurred state and local governments to provide services — including general revenue sharing, the heart of Nixon's federalism program. Once funding decisions were left solely to states and localities, Reagan assumed that their decisions would be inherently conservative. "When tax increases are proposed in state assemblies and city councils," he explained during his 1976 election campaign, "the average citizen is better able to resist and to make his influence felt."

His Agenda

Reagan's distinctive New Federalism strategy influenced administration policies on the budget, program structure, regulation, and taxes. Federal grants to state and local governments were singled out for some of the deepest cuts of all major budget categories. This was especially true of grants for government services, which were cut almost 30 percent (see table 1). In contrast, grants providing income support for individuals — especially Medicaid — continued to grow, along with other entitlements. Reagan rejected Nixon's use of block grants as a tool to harness the federal fisc to state and local spending priorities. Instead he and his advisers considered block grants to be "a step toward total withdrawal of the Federal Government from education, health and social services programs which . . . are properly the responsibility of state and local governments." This withdrawal strategy was pursued even further in the ill-fated federalism initiative of 1982, which proposed "turning back" to the states over \$30 billion in federal aid programs, along with Aid to Families with Dependent Children and the food stamp program. The

administration opened yet another attack on the funding base of state and local governments in its 1985 tax reform proposals, which sought to eliminate the indirect subsidies they received through the tax code.

For Reagan decentralization was not an end in itself but an instrument of his broader objective: to reverse governmental activism at all levels. Exceptions to this devolutionary pattern illustrate the point. In regulatory policy, for example — from interstate trucking standards to product liability insurance — Reagan has consistently favored national over state and local authority whenever the former was more supportive of free markets or private sector interests. The administration even went to court to block local policies it opposed on matters ranging from affirmative action to taxi cab licensing.

His Accomplishments

The results of these policies have been conflicting. On the one hand, Reagan leaves behind a more constricted domestic policy environment, which has altered both the forms and the scope of new federal incentives. On the other hand, he has failed in his mission to dismantle the welfare state, and in some ways he may have strengthened it.

Although Reagan has not accomplished all that he sought, he has achieved more than most analysts thought likely when he entered office. National spending priorities, popular expectations, and the circumstances in which national policy is made have all been changed. Since 1980 nondefense discretionary spending as a proportion of GNP has been reduced 29 percent, and general revenues are down 13 percent. Entitlement growth as a percentage of GNP has been limited to just 5 percent, and federal aid to state and local governments has been reduced by one-fourth.

Apart from tax reform, most of Reagan's achievements stem from the massive tax and budget cuts Congress agreed to early in 1981. Since then Congress has been preoccupied with the fiscal, institutional, and policy consequences of those actions. In particular, as the deficit and interest payments have mushroomed, opportunities to enact new domestic initiatives have been reduced and redirected. The new environment of zero-sum budgeting has forced Congress to choose among existing programs and new proposals, creating tensions where none existed in the past. Partly as a result, the numbers of new laws enacted declined substantially from the 1970s to the 1980s, and those that passed tended to have distinctive features. Like the recently enacted catastrophic health care program, many successful initiatives now combine self-financing with regulations that place new responsibilities on third parties, including state and local governments. The resulting federal user fees and excise taxes may compete with state and local revenue sources, and these jurisdictions may be the targets of the new regulations and preemptions as well.

Notwithstanding Reagan's achievements, in some respects the welfare state is more secure today than before he took office. Much as the New Deal helped to save capitalism from its own worst excesses, so Reagan's drive to scale back the welfare state has trimmed questionable programs and lessened concerns about "governability" and uncontrolled government growth. As a result, the

underpinnings of popular support for the welfare state have been reaffirmed.

Americans have always been ambivalent about governmental activism. At one level, they hold the views of "ideological conservatives," who in the abstract are suspicious of governmental authority. At another level, they resemble "operational liberals," who pragmatically support a broad range of government programs to address social problems.¹ According to public opinion polls, the first set of attitudes gained the upper hand in the early 1980s, generating the plausible if overly simplistic perception that Reagan had received a popular mandate for his domestic policies. By 1986, however, Americans' faith in the federal government had recovered considerably, and public opinion had reverted to older patterns of support for most fields of domestic spending (see table 2). Indeed, recent research indicates that thanks in large part to Ronald Reagan, confidence in the federal government has rebounded more strongly than in any other major public or private institution.²

Thus, depending on uncertainties involving the economy and a viable deficit reduction process, Reagan has apparently squeezed much of what is likely to be extracted

from the American welfare state, producing at most a stable and modestly lower public sector share of the domestic economy. Much of what remains is now firmly institutionalized. Given demographic trends and politicians' relentless search for new and creative initiatives to deal with contemporary problems, however, this achievement may ultimately prove to be only a temporary interregnum in the long-term growth of the American government. What Reagan's legacy means for the future of the federal system must be examined in light of other basic trends affecting federal, state, and local relations.

State Renaissance . . .

Many observers today believe that Reagan's policies have contributed to a new vitality at the state and local levels indicative of a healthy and dynamic federal system. According to this view, the real story concerning federalism is that the system has remained resilient and adaptable despite repeated and abrupt changes in federal policy since 1960. This resilience is evident in the burst of state and local policy innovation, in the declining dependence of states and localities on federal assistance, and in the new era of

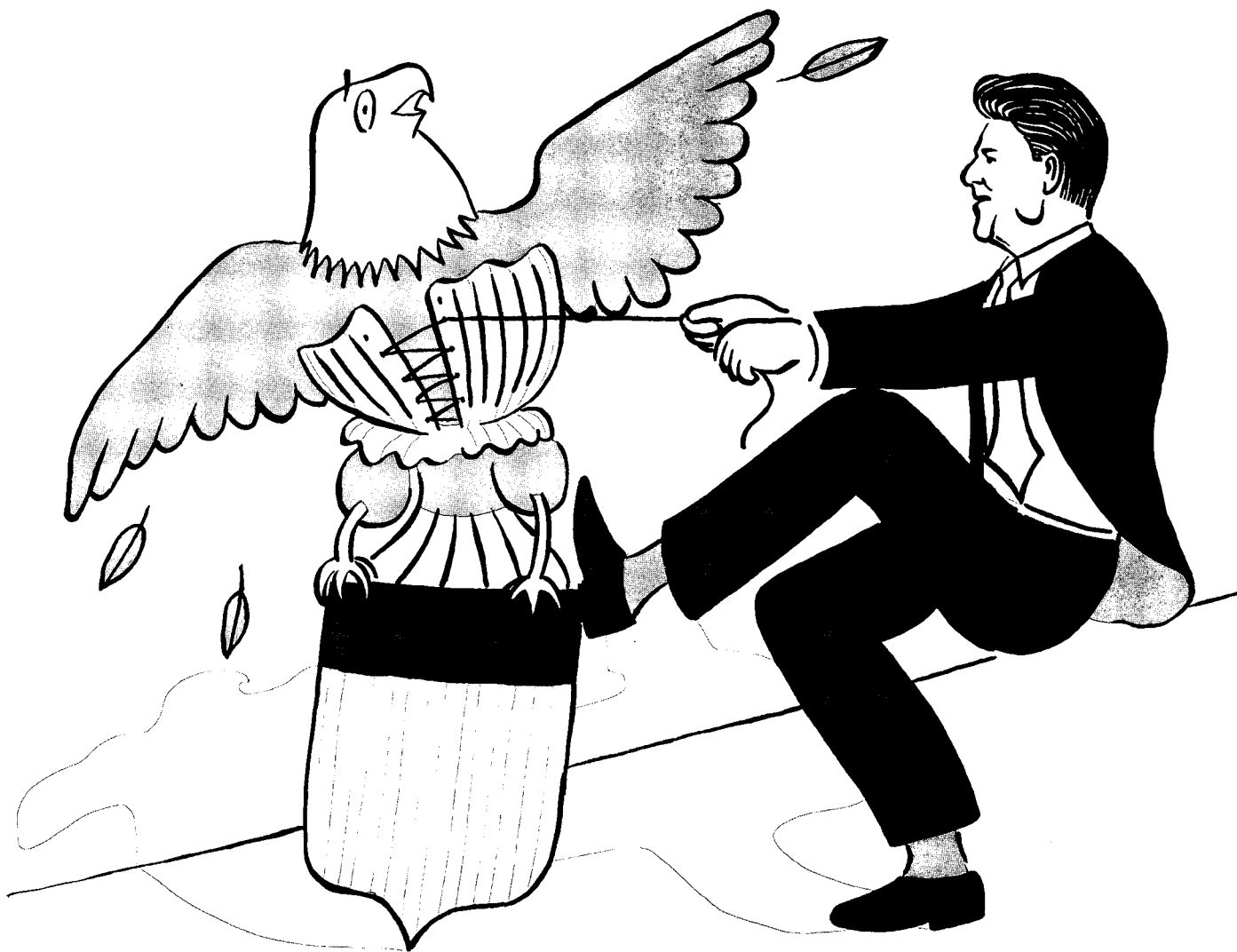


Table 1. Changes in Real Domestic Federal Outlays, FY 1981–1987 (in billions of dollars)

Budget Category	FY 1981	FY 1987	Percent Change 1981–87
Total nondefense	\$555.2	\$609.5	9.9%
Payments to individuals*	305.0	347.5	13.9
Total grants in aid	100.6	90.4	–10.1
To governments	61.3	43.0	–29.8
To individuals	39.3	47.4	20.6
All other	106.0	84.7	–20.1
Net interest	73.7	117.5	59.4

*Not including grants to state and local governments for individuals. Source: Calculated from Office of Management and Budget, *Historical Tables, Budget of the United States Government, Fiscal Year 1989* (GPO, 1988), table 6–1.

cooperative federalism that characterizes the administration of the remaining federal aid programs.

Despite Reagan's intentions and policies to the contrary, the welfare state remains alive and well in states and localities throughout America. Governmental activism has flourished during the 1980s as state after state has aggressively addressed issues of educational reform, economic development, and welfare dependency. Dennis P. Doyle and Terry W. Hartle, for example, recently noted that "the last two years have witnessed the greatest and most concentrated surge of educational reform in the nation's history. . . . The most surprising aspect of the 'tidal wave' of reform is that it came from state governments. . . . State governments have responded with new legislation, policy initiatives, and funding." The specific reforms are too numerous to list, but they range from enhanced funding and curricular changes in states across the country to the wholesale reform of educational systems in Mississippi and Arkansas to bold innovations in personnel and enrollment systems in Tennessee and Minnesota.

Apart from education, Massachusetts, New Jersey, and California have taken the lead in work-related welfare reform, an approach that is now being considered in Congress. Midwestern states have far outstripped the federal government in the breadth of their policy responses to the 1980s agricultural depression, adopting dozens of programs to expand agricultural markets and to provide farmers and their families with social and financial counseling and support services. Still other states have adopted innovations in health care, insurance, and higher education.

Nor is this burst of state activism considered to be just a temporary response to Reagan policies. Looking over the broad range of policy innovations in recent years, John Herbers, a seasoned observer of state and local governments, has concluded that this "new sense of independence from the federal government . . . promises to be both

more profound and more permanent than most people have recognized."

To some extent, this rejuvenation is an outgrowth of earlier federal policies that stimulated the states to expand their institutional and political capacity to provide needed services. Subsequent federal aid cuts imposed during the Reagan era then became a factor in prompting state and local governments to use their new capacity. Most states moved aggressively to replace federal grant funding in areas of traditional state competence. This self-reliance in the face of adversity underscores the resilience of the federal system.

There is no question that state and local governments are now less dependent financially on federal assistance. In a process some have called "de facto New Federalism," federal aid as a percentage of state and local outlays has declined 32 percent since 1978 (see figure 1). Direct federal aid to localities has been especially hard hit. With the elimination of general revenue sharing and the restructuring of block grants under Reagan, many localities that once received direct federal funding now receive none.

Despite real reductions in federal assistance, expenditures by state and local governments have actually increased during the 1980s as many jurisdictions have raised existing taxes, broadened their tax bases, and adopted more innovative forms of financing. Nor are these trends toward greater fiscal independence expected to be short-lived. Real reductions in federal aid began under Jimmy Carter, not Reagan, and existing constraints on the federal budget promise to continue for many years. Given the vulnerability of federal aid compared with entitlements and other domestic priorities, even a Democratic president in 1989 may be unable to reverse these trends, particularly if the threat of a balanced budget amendment returns.

Greater state initiative and independence has been complemented by changes in the way remaining federal programs are implemented. Recent studies have emphasized examples of where "federalism works" rather than problems of complexity, duplication, and conflict. Just as the refinement of New Deal programs led to an era of cooperative federalism, analyses of more recent federal initiatives have shown that federal, state, and local governments are capable of jointly resolving administrative conflicts and improving program performance over time.

The renaissance of state and local governments indicates to many analysts that bold federalism reforms of the type proposed by Nixon and Reagan are a thing of the past. If ever they were appropriate, they are now clearly obsolete responses to intergovernmental problems that no longer exist. "No one expects a return to the days of overwhelming federal dominance," Herbers writes. Instead, he implies, we can look forward to a dynamic state and local sector flourishing in a new age of cooperative federalism.

. . . Or Cooptive Federalism

A less cheerful interpretation of post-Reagan federalism could put reform back on the agenda. Though less fashionable today, this view draws attention to both new and lingering challenges to the long-term viability of state

Percent

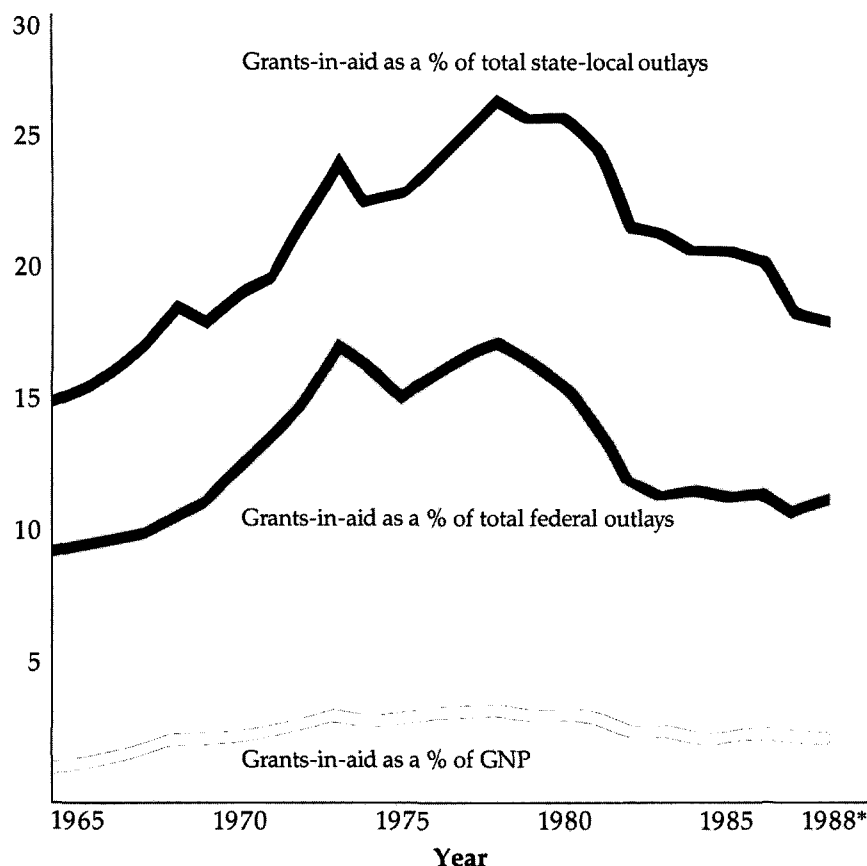


Figure 1. Rise and Fall of Federal Grants-in-Aid to State and Local Governments, 1965–88

*Estimated

Source: U.S. Advisory Commission on Intergovernmental Relations, *Significant Features of Fiscal Federalism*, 1988, vol. II, p. 15.

	1964	1972	1980–1982	1984–1986
“The government in Washington is getting too powerful for the good of the country”				
Agree	30%	41%	49%	32%
“The federal government creates more problems than it solves.”				
Agree			63	51
“Can you trust the government in Washington to do what’s right?”				
Always/most of the time	74	61	25	42
“Do you think the government should cut spending for social programs to reduce the budget deficit, or not?”				
Should			45	33
Should not			53	66
Believe that environmental improvements are necessary regardless of cost			45	66
Believe that most recipients do not need welfare			51	40

Table 2. Public Attitudes Toward Federal Government, 1964–86

Sources: “Opinion Roundup,” *Public Opinion* (March/April 1987), p. 24; “Opinion Outlook,” *National Journal* (May 11, 1985), p. 1051; R.W. Apple, Jr., “President Highly Popular in Poll; No Ideological Shift is Discerned,” *New York Times*, January 28, 1986, p. A14; David R. Gergen, “Following the Leaders,” *Public Opinion* (June/July 1985), p. 56.

Ironically, the court may have abandoned state and local governments to the political fray at the very time the ability of those governments to defend their interests effectively in Washington had reached a low point."

and local governments — challenges that could lead to structural reform schemes of some kind. As David Walker points out: "The systemic position of state and local governments, while operationally powerful, is weak constitutionally and politically. . . . Reagan federalism . . . has done little to . . . place the American states on a par with their counterparts in . . . other federal systems."

Although such weaknesses may not pose any immediate threat to the health of the federal system, problems may result from the "tyranny of small decisions," as Laurence Tribe put it. "No one expects Congress to obliterate the states, at least in one fell swoop. If there is any danger, it lies in the tyranny of small decisions — in the prospect that Congress will nibble away at state sovereignty, bit by bit, until some day essentially nothing is left but a gutted shell," Tribe wrote.

Such an analysis rests, first, on the assumption that contemporary judicial interpretations of the Constitution make state and local autonomy vulnerable to incursion by the federal government. The Supreme Court traditionally acted as the ultimate arbiter of federal and state roles in the federal system, using constitutional provisions such as the 10th Amendment and the commerce clause to carve out separate spheres of sovereignty for each level of government. For much of the nation's existence, most accepted definitions of federalism were premised on this judicially policed system of "dual federalism."

The concept of dual federalism began to erode during the 20th century, all but disappearing after the New Deal. By 1942 the court had proclaimed the 10th Amendment to be no more than a "truism" and had established the legal framework for virtually unlimited federal intervention in state affairs through the spending power and the commerce clause. In 1976 the Supreme Court made a brief attempt to resurrect the 10th Amendment as a limitation on Congress' jurisdiction under the commerce clause. But the complex test established in *National League of Cities v. Usery* to protect "integral" and "traditional" state functions from federal intrusion proved unworkable. Within a decade the court had thrown up its collective hands and overturned the 1976 decision, relying instead upon "the effectiveness

of the federal political process in preserving the States' interests." Indeed, the court majority in *Garcia v. San Antonio Metropolitan Transit Authority* (1985) stated emphatically that it would no longer adjudicate disputes pitting Congress' power to regulate interstate commerce against claims of state sovereignty. "State sovereign interests. . ." the majority wrote, "are more properly protected by procedural safeguards inherent in the structure of the federal system than by judicially created limitations on federal power."

Signs of Weakness

Ironically, the court may have abandoned state and local governments to the political fray at the very time the ability of those governments to defend their interests effectively in Washington had reached a low point. The relative weakness of decentralized party organizations; the rise of nationally oriented media, electoral resources, and interests groups; and congressional actions affecting the states all raise questions about the court's logic in this matter. "One wonders why," Martha Derthick wrote in 1986, "if the states' interests are so well protected by the political branches, the issue [decided in *Garcia*] reached the Supreme Court at all."

The basis for the court's reasoning in the *Garcia* case goes back to arguments developed in the 1950s, when both legal scholars and political scientists began to theorize that states and localities protect their interests in the federal system primarily through structural and political means. Legal experts argued that the structural features of the constitutional system — such as the electoral college and equal state representation in the Senate — ensure that state interests are heard in Congress and the executive branch.

Political scientists questioned the effectiveness of these structural features, noting that the presidency (since the 1930s) and the Senate (since the 1960s) have more often been the sources of extensions of federal authority. State interests, they argued, had been much more effectively protected by the decentralized political party system.

"According to this pessimistic view of the future of the federal system, even the perception that intergovernmental complexity has declined is illusory. In many ways the levels of government are more intertwined than ever before."

"The parties," Morton Grodzins wrote in 1966, "are responsible for both the existence and form of the considerable measure of decentralization that exists in the United States."

Since the 1960s, however, the electoral system in the United States has been transformed. Innovation and leadership has shifted from local and state party organizations to the formerly weak and episodic national parties. Although party modernization is taking place in many states and localities, it is often the direct result of stimulation by the national party organizations.

At the same time, political parties as a whole have lost the near monopoly they once enjoyed over most elements of the electoral process, including candidate nominations, electoral communications, campaign resources and financing, and voter mobilization. In most cases, competing nationally oriented institutions dominate these activities. State and local party leaders and activists no longer make independent judgments about presidential candidates at national party conventions but rather ratify decisions made earlier by primary electorates and caucuses. Independent campaign consultants resemble modern political nomads marketing their expertise in congressional campaigns from coast to coast. Some congressional candidates today even say they are reluctant to raise campaign funds from their own constituents and instead focus their fundraising efforts on political action committees in Washington and money centers in California and New York. Meanwhile, candidate communications with the voters occur increasingly through a relatively homogenized mass media — particularly television.

As a result, recent scholarship suggests that both presidents and members of Congress have become far less dependent on state and local politicians and elected officials for their political success and are therefore less obliged to represent their interests. "The development of national issue-oriented followings by Presidential candidates seeking nomination," Leon Epstein writes, "has largely replaced . . . state and local party leaders, acting through the old confederative structure." Similarly, Robert Huckshorn and John Bibby argue that "representatives and

senators, once in office, feel little sense of obligation to their state and local parties."

To be sure, state and local influence in Washington is not felt solely through political parties and elections. During the past three decades state and local governments have greatly increased the size and sophistication of their lobbying presence in the nation's capital. Over the years, this "intergovernmental lobby" had its share of important victories, from enactment of general revenue sharing to securing and protecting federal funding for Medicaid. Yet the need to develop such a lobbying presence, in part to compensate for the political changes described above, may well constitute a sign of weakness rather than strength. Given the doubling of all interest groups in Washington since 1960, the state and local sector has, at best, only kept pace with its frequent competitors.

Thus it may be no accident that two grant-in-aid programs — general revenue sharing and the Comprehensive Employment and Training Act — were virtually the only large programs that the Reagan administration successfully eliminated, or that grants-in-aid have suffered a disproportionate share of budget cuts over the past eight years, or that Congress left grants to governments relatively unprotected from across-the-board cuts under the Gramm-Rudman process. Even the exceptions to this pattern can be informative. Most, though not all, of the state and local income tax deduction was preserved during the bitter battle over tax reform. Yet this victory was achieved only after great effort, on an issue supported by three-quarters of the American people, for which the principal beneficiaries are influential, higher income taxpayers, thanks to a lobbying campaign organized and funded by New York real estate interests and organized labor.

New Complexities

According to this pessimistic view of the future of the federal system, even the perception that intergovernmental complexity has declined is illusory. In many ways the levels of government are more intertwined than ever before. It is

true that Reagan's New Federalism sought to reduce the complexity of existing intergovernmental arrangements and to move the federal system back in the direction of neatly separated functions reminiscent of the 19th century dual federalism — although on its own strongly decentralizing terms. And federal aid as a percentage of state and local revenues will almost certainly continue to decline.

Nonetheless, state and local governments in many ways face a more complicated environment in Washington that has reduced the relative significance of federal aid flows. Intergovernmental relations once revolved primarily around financial relationships. State and local governments could receive a variety of federal grant funds if they accepted specific administrative and financial stipulations prescribed by the federal government. But in recent years, this federal aid dimension has been supplemented with new forms of regulatory and tax policy. In the 1960s and especially the 1970s, the national government began to impose new and far more intrusive regulatory burdens on states and localities. By one count, there were 34 such regulations in force by 1980.³

Although the pace of new regulations slowed during Reagan's first term, since 1986, the federal government has required the states and localities to take costly steps to control nonpoint water pollution in urban areas, to preserve groundwater, and to extend civil rights protections. Similarly, virtually every federal tax law enacted since 1978 has contained provisions inhibiting state and local governments from generating revenue in some manner. The national government has increased its competition with the states for "tax room" by raising gasoline and excise taxes. It has relentlessly, and often successfully, attempted to restrict the use of tax-exempt municipal bonds. And it has eliminated federal income tax deductions for state excise, sales, and personal property taxes.

Thus, in addition to being concerned with what federal funding is available and how to obtain or retain it, states and localities must now watch closely for new and intrusive federal regulations and seek to protect their remaining benefits in the federal tax code. "The intergovernmental agenda is getting so long, it would take all my time just to keep up the list of issues," the chief lobbyist for the National Governors' Association recently lamented. "We can't begin to respond to them all."

The list of issues is likely to get longer. As the policy platforms of the 1988 presidential candidates make clear, modern politicians — and the people who elect them — still believe that their role is to "do something" about the endless and changing list of problems confronting contemporary society. Unable to devote substantial public funds to new priorities because of budget constraints, policymakers at the national level are apt to accelerate the pace with which they impose new regulatory and tax policies on the states. Martha Derthick has described the potential outcome: "In particular, there is a danger that Congress, in striving to close the gap between its desire to define large goals and its unwillingness to provide the administrative means to achieve them, will try to conscript the states. That is, it will give orders to them as if they were administrative agents of the national government, while expecting state officials and electorates to bear whatever costs ensue."

Without doubt, the new complexity of the intergovern-

mental agenda has increasingly become a two-way street. Just as the federal government has involved itself in what were traditionally state and local concerns, so many states and localities are taking up what once were solely national issues. A prominent rural sociologist recently declared that "world politics are now local politics." He was speaking about the impact of Third World debt financing and international trade on agriculture in the Midwest. But his subject could just as easily have been the establishment of local "nuclear free zones," state and local anti-apartheid policies, state-federal conflicts over the foreign military assignments of state national guardsmen, or increasingly aggressive state efforts both to attract foreign investment and to promote the marketing of state products and commodities around the world.

The proliferation of such issues in itself reflects changes in traditional notions about the legitimate boundaries of federal, state, and local responsibilities. Significant practical and constitutional constraints limit the capacity of state and local governments to establish policies in these areas of national concern. The long-term problem for states and localities is that the reverse may not be true of the national government. It is and will remain dependent on the other levels of government for the administration of most national domestic policies. The terms of that dependence are what is at issue.

Given prevailing constitutional, political, and fiscal trends, states and localities may eventually confront the worst of all possible worlds. In the past the Supreme Court protected them from excessive federal incursions, and federal influence came mostly through grants and subsidies. Now that those political and legal defenses have eroded and federal budget constraints have grown, federal mandates and preemption may become the principal form of intergovernmental interaction.

What is described as the new cooperative federalism may even prove to be more akin to coercive federalism. Evidence from recent case studies suggests that a key factor in promoting smoother intergovernmental administration is not evenhanded bargaining between levels of government but rather the cooptation of local decisionmaking processes by cadres of federally inspired client groups and professionals.⁴

However harmonious that administrative process becomes, the upshot remains that state and local resources directed toward federal priorities are unavailable for alternative state and local priorities. And after all, the fact that smaller, territorially organized constituencies generate different policy priorities is one of the basic rationales for maintaining a federal system in the first place. Should the trend toward coercive federalism gain the upper hand, calls for comprehensive reform of the federal system will no doubt be renewed.

1. Lloyd Free and Hadley Cantril, *The Political Beliefs of Americans* (Rutgers University Press, 1967), p. 180.

2. Seymour Martin Lipset and William Schneider, "The Confidence Gap During the Reagan Years," *Political Science Quarterly*, vol. 102 (Spring 1987), p. 21.

3. David R. Beam, "Washington's Regulation of States and Localities," *Intergovernmental Perspective*, vol. 7, 1981, pp. 8-18.

4. For more on this point, see Paul Peterson, Barry Rabe, and Kenneth Wong, *When Federalism Works* (Brookings Institution, 1986), chapters 6 and 7.

Taiwan: The Other China

Andrew Scobell

SINCE THE CARTER administration abruptly severed diplomatic ties with the government of Taiwan in January 1979 in order to establish full relations with the People's Republic of China, the mainland has replaced Taiwan as America's "China." The PRC has become the prime focus for tourism and cultural and academic exchanges for those with an interest in things Chinese. Its potentially huge market has captured the imagination of American entrepreneurs, and its efforts to reform its economic and political systems have caught the attention of the world.

Today, if you asked the average American to tell you what he or she knows about China, the reply might well omit any mention of its largest island. Yet Taiwan, a staunch U.S. ally first against Japanese expansionism in World War II and then against communist expansionism during the Cold War, is still important to the United States. An economic force that cannot be ignored, Taiwan has amassed mounting trade surpluses with the United States. Less evident to most Americans, the island remains the focus of an unresolved civil war between Taiwan's ruling Nationalist party, or Kuomintang (KMT), and the Chinese Communist party. The unofficial truce in place for a decade has seen both countries switch to less confrontational tactics that have substantially decreased tensions in the Taiwan Strait though by no means resolved the conflict.

"The Republic of China on Taiwan" — as the government in its capital of Taipei prefers to be known — maintains its claim that it is the sole legitimate government of China. Under Chiang Kai-shek, the Nationalist government unified China in 1928, but was weakened by a combination of civil war against its former communist allies, Japanese invasion, spiraling inflation, and high levels of corruption and incompetence. When Mao Zedong took control of the mainland's major cities and established the PRC in 1949, the KMT fled to Taiwan. The area it has governed since includes Taiwan, Quemoy, Matsu, the Pescadores, and assorted smaller islands in the South China Sea, with a combined population of some 20 million people.

With U.S. assistance, Taiwan has thwarted Peking's attempts to take the offshore islands by force; the last serious effort was in 1958. Since then Taiwan has developed into one of the fastest growing economies in the world, with an average annual growth rate of about 9 percent over the past 25 years. Its per capita annual GNP is now about \$5,000 in U.S. dollars, which compares favorably with other newly industrializing countries, whose per capita GNPs range from about \$4,000 in South Korea to nearly \$8,000 in Hong Kong and Singapore. Taiwan far outstrips China, whose per capita GNP is less than \$400.

Taiwan's economy is driven by exports — primarily electronics, textiles and apparel, machinery, and footwear. With the island's labor costs rising, Taiwan cannot compete much longer with countries such as Thailand and China in

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labor-intensive industries and is now making the transition to high-tech, capital intensive production through projects such as the highly successful Hsinchu Science-based Industrial Park outside Taipei. Trade with Western Europe is expanding, but the bulk of its business is with Japan and the United States. Taiwan is our fifth largest trading partner. Almost a quarter of Taiwan's imports came from the United States in 1986; in turn the United States accounted for nearly half of Taiwan's exports, making the island far more dependent than any other East Asian economy on the U.S. market. The continuing trade imbalance in Taiwan's favor has become a source of increasing friction between the two countries.

In recent years the government has taken several significant steps that indicate a willingness to open up what was previously an authoritarian and unrepresentative political system to native Taiwanese and to tolerate political opposition. For the first time since 1949, it has also sanctioned contact with the mainland. But these encouraging signs do not ensure that the complex reunification question will be resolved peacefully. Moreover if liberalization leads to a rise of sentiment for Taiwan's independence, new tensions could be created between Taipei and the mainland and between the PRC and the United States.

Domestic Developments

The degree of political liberalization that has occurred in Taiwan in the past two years seemed nearly impossible only a few years before. Under Chiang Kai-shek, the KMT imposed martial law on the island, outlawed opposition parties, and denied native Taiwanese, who constitute some 85 percent of the population, any significant participation in politics. Native Taiwanese still carry bitter memories of the "February 28th incident" of 1947, when Nationalist troops massacred thousands of local people.

During the last two years, however, the KMT has demonstrated an apparently serious commitment to political reform. In 1986 the government did not interfere with the formation of an opposition party. In 1987 martial law was lifted, and Taipei announced that it would permit residents to visit relatives on the mainland. In January 1988 Taiwan newspapers were permitted to double the number of pages in each issue, and new periodicals could apply for licenses to publish. Many of these reforms were sponsored by Chiang Ching-kuo, the son of Chiang Kai-shek, who became president in 1978. Chiang Ching-kuo, first as premier and then as president, worked to integrate native Taiwanese into the KMT, the government, and the military, a process that has been dubbed "Taiwanization."

The Chiang government also allowed the emergence of a vocal but disorganized assortment of opposition groups, known collectively as *dangwai*, which means literally "outside the [Nationalist] party." The most important opposition party is the Democratic Progressive party (DPP), which a group of intellectuals formed in September 1986. Although opposition parties are still technically illegal, the government permitted the DPP to hold a founding convention, issue a constitution and party platform, and, most important, actively contest elections. The infant party garnered 23 percent of the vote in national elections held only three months after its formation.

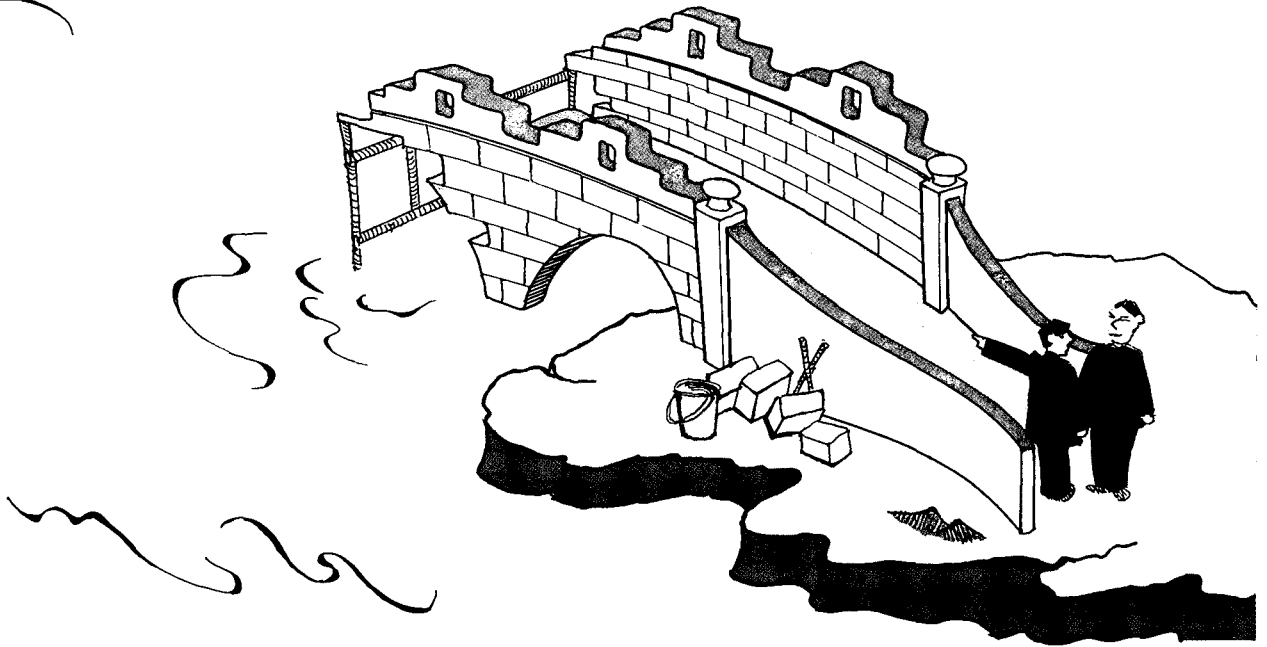


The DPP's most controversial plank is the advocacy of "self-determination" for Taiwan. This plank makes the party appear radical, but the term is ambiguous. To some in the party it is a process; to others it represents an outcome. In conversations with U.S. analysts, DPP officials play down the idea of independence for Taiwan, either by saying only one faction within the party actually supports the idea, or by stating they support independence only at some point in the distant future.

Other reforms are in sight. A recently completed two-year study sponsored by the KMT recommended that the number of elected government and party positions be increased. The study also proposed that Taiwan's two legislative bodies be rejuvenated by encouraging elderly members to retire and replacing them with younger people. The average age of representatives currently serving in the National Assembly (which elects the president every six years and can amend the constitution) is 78 years; for those in the Legislative Yuan (the law-making body), it is 81 years.

As for the KMT itself, its 2.5 million members were free for the first time this year to vote for delegates to the party congress; previously delegates had been selected by party officials. These delegates were allowed to nominate fellow delegates to vie for seats on the party's central committee against an equal number nominated by the party chairman. The central committee itself was enlarged by 30 seats, to 180 from 150. The central committee in turn chose

*The challenge is to "create
a climate that will bring a peaceful resolution
to the Taiwan Strait standoff."*



a 31-member standing committee with 12 new faces. Ten elderly members were appointed to a largely honorific central advisory commission, resulting in a younger, more dynamic party policymaking body.

The death of the enormously popular Chiang in January 1988 made Lee Teng-Hui the country's first Taiwan-born president. Trained as an economist, Lee, now 65, studied in Japan and the United States, earning a Ph.D. in agricultural economics from Cornell University in 1968. Rising quietly through the ranks, Lee was appointed mayor of Taipei and then governor of Taiwan Province before being named vice president in 1984.

Upon Chiang's death, many outside observers said that Lee lacked a solid base of support and would prove unacceptable to the army and old guard KMT members. Some even predicted he would quickly be removed from the scene either by military coup or simply through a display of inept leadership.

Lee, however, moved smoothly into the presidency, a sign not only of his political acumen but of the institutionalization of the political system. A further boost to Lee's prestige came when he was elected — apparently unopposed — acting head of the KMT by the party's central committee, a move that was confirmed in July at the 13th Party Congress, where Lee was given an overwhelming vote of confidence.

Lee has also shown skill in areas outside party politics. He defused his first potential crisis as president in May

when he promptly ordered the return of a passenger jet hijacked to Taiwan from China. This quick thinking avoided a potentially delicate situation involving negotiations with mainland authorities for the return of the plane with its passengers and crew that could have caused serious domestic political difficulties for Lee.

Lee has not as yet unveiled his own agenda. He is still in the consolidation stage, striving to be seen as Chiang's rightful heir by following through on the policies of his predecessor. He is beginning to make his presence felt, however: a reshuffle following the July party gathering resulted in a cabinet with more than 12 new members. For the first time, a majority of the cabinet is Taiwan-born, as is a majority of the party's central standing committee. And the new cabinet has its first female member and its first non-KMT member.

Should Lee continue to show the keen sense of political survival he has demonstrated so far, he should serve out Chiang's term as president and be well positioned to run for president in his own right in 1990. If he falters, he may prove to be a transitional figure like Yen Chia-kan, who served as president for three years in the interim between the death of Chiang Kai-shek in 1975 and the accession of Chiang Ching-kuo in 1978. It is still too early to tell which role Lee fits, but the key determinants will be his ability to continue to consolidate and expand the power base he clearly enjoyed at the July party congress and whether any viable challengers to his leadership emerge.

Relaxing the 'Three No's'

Taipei's move toward political liberalization is matched by equally dramatic developments in its dealings with the PRC. For more than 30 years Taiwan forbade interaction of any kind with the Chinese mainland. But what has been dubbed the "Three No's" policy — no contact, no negotiation, and no compromise — has been significantly relaxed in the 1980s. The change in Taipei has come about for three reasons: a softening of the Peking government's Taiwan policy, a major global strategic shift that is bringing the mainland into the world political and economic mainstream as Taiwan finds itself more and more isolated diplomatically, and domestic pressures on Taiwan for ties with the mainland.

Since Deng Xiaoping rose to power in 1978 and China began to reform its economy, the sporadic and largely symbolic shelling of the offshore islands has stopped. Peking no longer publicly exhorts its people to liberate Taiwan by force or harangues the KMT as a "bandit clique," but insists that it prefers a peaceful reunification. Under Deng's policy of "one country, two systems," Peking has offered Taiwan the same "high degree of autonomy," including the right to maintain its existing political and economic systems, that it is permitting Hong Kong and Macao, which Britain and Portugal will return to Chinese control in the late 1990s. In addition, China has offered to let Taiwan retain its own armed forces. While Taipei is wary of this change of tactics and by no means eager to accept Peking's sovereignty, China's new approach, coupled with the mainland's more moderate domestic and foreign policies, has fostered more open discussion of these issues on Taiwan.

Peking's rapprochement with the United States, marked by President Nixon's visit to China in 1972 and cemented by the normalization of diplomatic relations in 1979, has been paralleled by the mainland's increasing integration into the international system — often at Taiwan's expense. Gradually emerging as a serious rival to Taipei in economic and diplomatic affairs, Peking now has a healthy traffic in foreign trade and has replaced Taipei in major international organizations such as the United Nations and World Bank.

In response Taipei has launched its own public relations campaign to try to counter Peking's rising influence. By gradually increasing the volume of its interaction with the mainland, Taipei hopes to demonstrate a confident, sensible, and prosperous Taiwan to the people and government of mainland China as well as to the larger international community.

Internal pressures have also spurred Taiwan's reassessment of its relationship with mainland China. The strong desire of tens of thousands of transplanted mainlanders to be reunited with relatives they have not seen in some four decades, combined with island entrepreneurs eager to explore the trade and investment possibilities China presents, pushes the Taipei government toward contact with the mainland.

A landmark event in Peking-Taipei relations occurred in 1986 when officials of Taipei's China Airlines (CAL) met in Hong Kong with officials of Peking's Civil Aviation Administration of China (CAAC) to negotiate the return of a CAL 747 cargo jet whose pilot had diverted it to the mainland. The impulsive act of the airplane's captain, an estranged son desperate to be reunited with his aging father, triggered the first face-to-face discussions between officials from both sides of the Taiwan Strait since the 1940s. The talks, which resulted in the return of the aircraft and two crew members to Taipei, demonstrated to both governments that they could solve problems through direct contact and indicated that Taipei was willing to reinterpret its "three no's" policy.

Trade between the two entities reached an estimated \$1.5 billion last year, and Taiwan businessmen now have substantial investments in mainland factories. Dozens of Taiwan shoe and garment manufacturers have relocated their labor-intensive operations in China to take advantage of the lower wage scales there. These activities are conducted indirectly, mostly through middlemen in Hong Kong and through smuggling by fishing vessels across the Taiwan Strait.

Another significant sign of relaxation came in October 1987 when the Taipei government announced it would allow residents to visit relatives on the mainland. Since then some 100,000 Taiwan Chinese have traveled to the PRC. Many of the visitors to China have been astounded by

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the degree of poverty and parochialism compared with the affluence of contemporary Taiwan. Taipei now appears poised to permit mainlanders to travel to Taiwan but only to visit a dying relative or to attend a funeral. The KMT still bans visits to the mainland by Taiwan government and party officials.

Despite the relaxation of tensions, Taiwan has every reason to maintain a guarded posture towards China. While stressing its preference for peaceful reunification, Peking makes clear it has still not renounced the use of force as a last resort. The most likely strategy for mainland forces, given their limited aerial and amphibious assault capability, would be a blockade rather than an invasion. While the former is more probable than the latter, Taiwan's close proximity to the mainland — 70 miles at the closest point — makes Taipei feel extremely vulnerable to attack.

It is no surprise, therefore, that Taiwan's military devours over a third of the national budget and that the offshore islands of Quemoy and Matsu are heavily fortified. Taiwan furthermore is seeking to develop and produce its own weapons systems so that it can meet its own defense needs. The government has, for example, invested much time and money in building a new lightweight supersonic jet fighter. This emphasis on military preparedness is unlikely to change, particularly if Peking continues to insist publicly on the use of force as the final option to reunite Taiwan with the mainland.

A 'Diplomatic Orphan'

While the PRC has adopted a more conciliatory stance on the question of reunification, it still pushes hard to isolate Taiwan internationally. Since 1950 Peking and Taipei have been engaged in a global diplomatic war, with each seeking to be recognized by individual countries and international organizations as the sole legitimate government of all China. The PRC will not establish full diplomatic relations with a country until that country acknowledges that Peking is the legitimate government of China and thus breaks formal relations with Taiwan.

Particularly since 1971, when the United Nations voted to expel Taipei and admit the PRC, Taiwan has increasingly become a "diplomatic orphan," as one opposition politician describes the situation. By mid-1988 only 21 countries maintained full diplomatic relations with Taipei, and most of the countries in this ever-shrinking pool are of little global significance. The majority are Latin American states conscious of the economic benefits that normalizing ties with Peking can bring.

The most important countries that retain full diplomatic relations with Taiwan are Saudi Arabia, South Korea, and South Africa. Riyadh may sever its ties in the near future, and Seoul is seriously exploring establishing relations with Peking, although China's ties with North Korea could be a bar to normalization. Figuring prominently in the reasoning of both Riyadh and Seoul are the growing economic relations each has with Peking. The Vatican may also soon recognize China and break with Taiwan, which would be a serious blow to the morale and prestige of the Taipei government.

Increasing diplomatic isolation has brought new pressures to bear on the Taipei government from Taiwan residents who believe that the island is being treated

shabbily by the international community. Taiwan people take great pride in the island's economic achievements and find it difficult to accept Taiwan's less-than-impressive diplomatic standing. Many blame the KMT, rather than the PRC, for this situation.

Isolation from without and pressure from within have encouraged Taipei to seek effective ways to conduct its international relations at unofficial levels. Foreign ministry officials in Taipei cite their arrangement with Washington as a possible prototype for Taiwan's relations with other countries. Since Washington withdrew recognition in 1979, contact between the two governments has been governed by the Taiwan Relations Act, which permits vigorous unofficial relations between the two counties through the American Institute in Taiwan (AIT) and the Coordination Council for North American Affairs (CCNAA). Both agencies function much as diplomatic posts do; indeed, they are both staffed by career diplomats on leave from their foreign services. The arrangement seems to work fairly smoothly, although one irritant often noted by both sides is that "diplomats" from either organization are not permitted to enter executive branch offices in the host country. Thus AIT personnel may not enter the Ministry of Foreign Affairs in Taipei and Coordination Council representatives cannot call on State Department officials.

Despite inconveniences of this sort, the CCNAA has adopted an extremely high profile. Between 1984 when he was named chief representative of the CCNAA in the United States and mid-1988 when he was named to Lee's cabinet, Fredrick Chien met with all 100 U.S. senators and visited some 40 states and Puerto Rico. According to one CCNAA official, while Taiwan would like to restore its former relationship with the United States, it is "realistic" about the prospects for doing so.

Of less prestige than diplomatic relations but of more immediate importance to Taiwan is the island's status within the international economic community. Taiwan is the world's 14th largest trading nation by its own count and has foreign exchange reserves second only to Japan — \$75 billion as of January 1988. The island is consequently a major player in world trade and could be a significant contributor to multilateral aid organizations. But in 1980 Taiwan was expelled from the World Bank and the International Monetary Fund, and the PRC was admitted as China's representative in the two organizations. Nor is Taiwan a signatory to the General Agreement on Tariffs and Trade, from which it resigned in 1950, sat in on as an observer between 1965 and 1971, and then withdrew from altogether when it left the United Nations. Taipei has made known its interest in rejoining GATT.

The mechanics of involving Taiwan in the international arena are complicated by the ambiguity of its political status. Peking refuses to function as a member of an international organization that permits Taiwan to use a title implying that it is a rival national government. Thus "Republic of China" is unacceptable to the mainland government, while "Taipei, China" or Taiwan, China," are permissible because they imply that the island is only a regional government. In recent years Taiwan has shown a willingness to be flexible on this issue. It competed in the 1984 Los Angeles Olympics under the banner of "Chinese, Taipei." Using the name "Taipei, China," it participated in April 1988 in a meeting of the Asian Development Bank for

"Trade concerns currently dominate U.S.-Taiwan relations. The United States ran up a \$16 billion trade deficit with Taiwan in 1987, and American exporters are clamoring for improved access to the Taiwan market."

the first time in two years. But this flexibility should not be mistaken for capitulation; at that bank meeting, the delegation insisted on displaying an "under protest" sign.

Issues for the United States

The value of continued strong links between the United States and Taiwan should not be underrated. First, the United States has a major interest in a peaceful future for the island and its people. Thirty years after President Eisenhower declared the United States was prepared to defend the islands of Quemoy and Matsu with nuclear weapons if necessary, the Taiwan Straits remains a potential flashpoint that threatens the peace and security of the Asia-Pacific region. The level of tension is currently at an all-time low, but that is no guarantee that the situation will resolve itself peacefully.

Although Taiwan claims sovereignty over all of China, Taipei is, of course, extremely unlikely to actually try to regain control of the mainland. A greater, but still unlikely, possibility is that Taiwan at some point would issue a unilateral declaration of independence. Such a step would occur only if the KMT felt completely ignored by the international community or perhaps if an opposition party defeated the KMT in an election. That most analysts on Taiwan acknowledge a declaration of independence would provoke a forceful response from Peking that could well erupt into armed conflict is to some extent reassuring. So are opinion polls showing that only 15–20 percent of the island's residents support independence.

Peking, which has listed reunification as a national priority, is much more likely to succeed eventually in bringing Taiwan under its control. A successful transfer of sovereignty when Hong Kong and Macao are returned to China in 1997 and 1999, respectively, could help convince Taiwan that the benefits of reunification might outweigh the costs of remaining apart. But the return of the two territories also reinforces Peking's desire to regain Taiwan, which has always been the ultimate goal of its irredentism.

The most appropriate position for the United States to

take on this issue is that set out in the Shanghai Communiqué that Washington and Peking signed in 1972: the question of Taiwan is a Chinese problem to be solved by the "Chinese themselves." Washington nonetheless can try to ensure that the resolution is peaceful by helping to keep tensions between the two governments from flaring to dangerous levels. One important way to do that is to regulate carefully the volume and sophistication of arms sales to both Taiwan and the PRC.

As Taiwan's major source of military hardware, the United States is an extremely important factor in the island's defense calculus. Moreover, the United States is caught between conflicting obligations. Under the terms of the Taiwan Relations Act, Washington is committed to provide Taipei with sufficient arms to ensure the island's self-defense capability. In addition, under the terms of a 1982 joint communiqué issued by Washington and Peking, Washington is also committed in principle to decreasing over time the level of its military sales to Taipei. The wording of the 1982 document, which is interpreted differently by the two signatories, is taken by the United States to mean that future arms sales to Taiwan should not exceed the value, in constant dollars, of annual shipments made at the time of normalization. At the same time, Taipei has expressed concern about Washington's recent sales to Peking of high-tech items, such as a \$550 million avionics package in 1986, that could upset the military balance in the Taiwan Strait.

The United States also helps to reduce tensions simply by providing a neutral ground for the tens of thousands of scholars and students from China and Taiwan studying here to meet and gain a better understanding of each other. Also, by playing host to intellectuals from Taiwan and the PRC, we promote not only an appreciation of American institutions and ideas but also the development of a moderate and progressive core of leaders on both sides of the Taiwan Strait disposed toward seeking a peaceful solution to the reunification question.

Second, the United States has an interest in making Taiwan a part of the world community. In doing this,

Washington contributes to the smooth operation of the international economy as well as to the peace and stability of the Asia-Pacific region. If the island is made to feel like a pariah state, it might adopt a "fortress Taiwan" mentality and rashly declare its independence despite the likely consequences. Increasing isolation could also make the KMT government feel threatened, leading it to crack down on internal dissent and reverse the significant progress the island is making toward democratization. According to an official in the foreign ministry, Taiwan has not yet reached that point. It sees itself as a "lonely" international player, but it does not feel "isolated."

To avoid charges of meddling in China's internal affairs, the United States ought not to be seen as acting on its own to push for Taiwan's admission into the major international economic organizations. But it should help mobilize support for Taiwan's inclusion in the GATT, then the World Bank, and perhaps, eventually, specific agencies of the United Nations in ways that do not challenge the PRC's claims to sovereignty. In addition, it is time to mobilize support for admitting Taiwan and the other newly industrializing countries of Asia to the Organization for Economic Cooperation and Development. With East Asian economies among the most dynamic in the world, the region deserves improved representation in this organization.* In any event, if Taiwan's economy continues to grow, other governments will eventually conclude that Taipei should be allowed to participate in these organizations and presumably will encourage the PRC and Taiwan to work out some mutual accommodation, as they did at the recent meeting of the Asian Development Bank.

The United States might also privately encourage Taiwan to avoid actions that would tend to irritate China, such as pushing countries toward "dual recognition" of both Peking and Taipei. Fiji and Ecuador, at Taipei's urging, are reportedly seriously considering this option. A more judicious and less confrontational move would be for Taiwan to expand its quasi-official network of trade representatives. The island now has 86 trade offices around the world, and the government recently sanctioned direct trade with Eastern European countries even though Taiwan does not have diplomatic relations with any of these countries.

Trade concerns currently dominate U.S.-Taiwan relations. The United States ran up a \$16 billion trade deficit with Taiwan in 1987, and American exporters are clamoring for improved access to the Taiwan market.

Taiwan does provide the United States with a profitable overseas market. The island does not hold the lure of large markets, as India and China do, but its comparatively affluent population is already buying luxury consumer items such as American automobiles. American companies also have excellent potential to sell Taiwan equipment and machinery, particularly for the nuclear and non-nuclear power industries. Opportunities for consulting should continue as work progresses on mammoth projects such as construction of a new mass transit system in Taipei. And unlike many other countries, Taiwan will not have problems coming up with the foreign exchange needed to purchase these big ticket items.

While Taipei listens politely to American complaints about import barriers, economists there emphasize that lifting those barriers will not help the United States but

simply enable more competitive Asian countries to win the Taiwanese market at U.S. expense. Taiwan argues that it should give special preference to U.S. goods. One possibility Taiwan economists eagerly discuss is the establishment of a free trade area with the United States. Aside from the minimal interest expressed about the idea in Washington, if such an accord were worked out, it would be certain to evoke the ire of Peking.

Taiwan has lowered its barriers to some extent. The island recently removed, and in a few cases eliminated, tariffs on more than 4,800 import items, including some 240 specific tariffs that the United States had objected to. Last year, Taipei opened its markets to U.S. cigarettes, beer, and wine. Taipei has also pledged to diversify its foreign markets and to boost its imports to a higher rate of growth than exports. These actions, in combination with the delayed effects of the appreciation of the New Taiwan dollar against the U.S. dollar, should mean a marked decline in the surplus with the United States, although sizable surpluses will remain at least into the 1990s.

The U.S. government and American exporters should continue to press Taiwan to dismantle barriers to trade and services gradually but deliberately. At the same time, American businesses should look more carefully at what opportunities the Taiwan market offers, and more state and municipal governments should consider establishing trade offices in Taipei to promote products produced in their areas. Several state governments and the city of Tucson already have opened offices in the brand new Taipei World Trade Center.

Taipei should also be encouraged to remove internal restrictions that inhibit market forces. Such a restriction resulted in the first anti-American demonstrations in Taiwan since the United States broke diplomatic relations with the island in 1978. In March 1987 irate farmers rallied to protest imports of cheaper turkeys, which actually constitute a mere fraction of a percent of Taiwan's total imports from the United States. The farmers claimed the imported turkeys would drive them out of business, but others in Taiwan said the protests actually reflected frustration with a zoning regulation that prevents the farmers from using their land for whatever activity they deem most profitable.

Finally, the United States has a moral obligation to support a friend of long standing that is undertaking a process of democratization. The United States claims that one of its foreign policy goals is to promote democracy. It has an opportunity to do just that by quietly encouraging Taiwan in its moves toward political liberalization.

Peking's vast strategic and potential economic benefits demand that the United States continue to cultivate its relations with the PRC. Taipei, however, is an important actor in the Asia-Pacific region and a key U.S. trading partner that offers more immediate payoffs for American business. Taiwan has been a major bone of contention in U.S.-PRC relations and could easily become one again. Washington's challenge is to avoid that possibility while working inconspicuously to help create a climate that will bring a peaceful resolution to the Taiwan Strait standoff.

* For more on this point, see Harry Harding and Edward J. Lincoln, "The Asian Laboratory," in John D. Steinbruner, ed., *Restructuring American Foreign Policy* (Brookings, forthcoming).

Understanding How Much Is Enough

THE PURPOSE of offensive strategic nuclear weapons is not disputed: they are meant to prevent war by presenting a deterrent threat. What is disputed — often vehemently — is the size and configuration of the strategic weapons arsenal necessary to provide effective deterrence.

The idea that the United States and the Soviet Union might reduce their offensive strategic forces by 50 percent or more, once considered radically impractical, has in recent years become a feasible prospect. But before a concrete agreement can be reached, or even seriously negotiated, policymakers on both sides need a more refined understanding of the exact purpose and design of strategic force reductions.

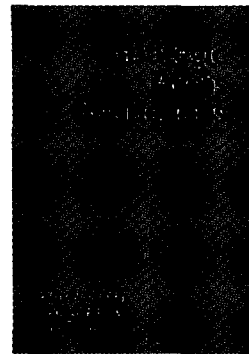
In *Strategic Arms Reductions*, Michael M. May, George F. Bing, and John D. Steinbruner looked at six potential configurations of strategic forces for the United States and the Soviet Union, three each at levels of 6,000 and 3,000 warheads, roughly 50 percent and 25 percent, respectively, of current levels. The authors consider the effectiveness of the six force models in a first strike, each side's ability to wage or continue a war, and the deaths that might result from such nuclear exchanges. The authors do not attempt to settle with any precision the question of how much is enough. They do identify important judgments that must be made in considering strategic force reductions and set the boundaries for the debate.

May is associate director at large and Bing is a staff scientist at the Lawrence Livermore National Laboratory. Steinbruner is director of Foreign Policy Studies at Brookings.

Strategic Arms Reductions

By Michael M. May, George F. Bing,
and John D. Steinbruner

\$8.95 paper



Exploring the Productivity Puzzle

THE SLOW GROWTH of productivity in the U.S. economy over the past 15 years has presented a threat to the American economy and a puzzle to analysts. In their book, *Innovation and the Productivity Crisis*, Martin Neil Baily and Alok K. Chakrabarti find that the standard explanations — inflation, recessions, oil price fluctuations, and related economic disruptions — do not account fully for the productivity slowdown. A significant portion of that decline, they write, may be attributable to a falloff in the pace of innovation. Evidence from several case studies reveals that although opportunities for technological advance were available, U.S. industry either missed them or was unable to use new technologies in ways that raised productivity.

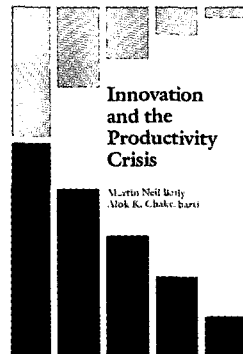
To encourage innovation, the authors propose enactment of an enhanced tax credit for research and development. They also advocate encouraging coalitions of private companies to perform middle-ground research — research leading to commercial applications but still too general to justify investment by individual companies. They recommend easing government obstacles to joint ventures and providing some public funding if these private projects promise significant returns to society. And they argue for continued public and private support for basic research, even though strength in this area does not give the U.S. economy an immediate competitive advantage.

Baily is a senior fellow in the Economic Studies program at Brookings. Chakrabarti is associate vice president for research and William A. Mackie Professor of Commerce and Engineering at Drexel University.

Innovation and the Productivity Crisis

By Martin Neil Baily
and Alok K. Chakrabarti

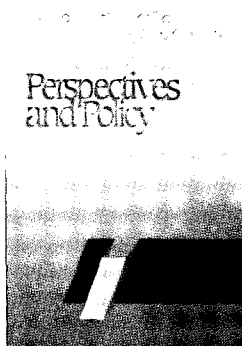
\$8.95 paper, \$22.95 cloth



Litigation System on Trial

Liability: Perspectives and Policy

Edited by Robert E. Litan and
Clifford Winston
\$10.95 paper, \$28.95 cloth



THE UNITED STATES has recently witnessed an explosion of personal injury lawsuits involving medical malpractice, unsafe products, and environmental hazards. Jury awards and out-of-court settlements for medical expenses, income losses, and pain and suffering of victims have routinely amounted to hundreds of thousands of dollars. At the same time, premiums for liability insurance have skyrocketed, and some companies have refused to cover new clients or withdrawn coverage entirely.

Some experts claim that only fundamental reform of the nation's civil justice system will end this "insurance crisis." Critics of such wholesale judicial reform contend that the insurance industry has launched a "tort reform" campaign to cover its own past underwriting mistakes.

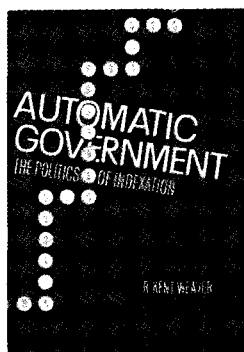
In *Liability: Perspectives and Policy*, a team of economists and lawyers, led by Robert E. Litan and Clifford Winston, evaluate the issues underlying this debate. They examine the functions of tort law in providing compensation and deterring harmful behavior, the apparent liberalization of tort doctrines that has contributed to higher damage awards and affected the availability and cost of insurance, and the ways in which changes in the system have affected the provision of medical services, the development of safer products, the maintenance of safety in the workplace, and protection of the environment.

Litan and Winston are senior fellows in the Brookings Economic Studies program. Other contributors to the book are John E. Calfee, Patricia M. Danzon, Scott E. Harrington, Peter Huber, George L. Priest, Peter Swire, and W. Kip Viscusi.

Avoiding Blame: The Indexing Trend

Automatic Government: The Politics of Indexation

By R. Kent Weaver
\$11.95 paper, \$31.95 cloth



ONE OF THE MOST DRAMATIC and least-studied policy changes of the past 20 years is the increased use of indexing — automatic adjustments for inflation — in federal programs. Currently, programs comprising more than one-third of the federal budget contain indexing provisions — among them, inflation adjustments for individual income taxes, Social Security, and food stamps.

From the outset, indexing has sparked controversy. In the 1970s it was accused of fueling an inflationary spiral. In the 1980s it was criticized for contributing to the budget deficit. Despite these complaints, social scientists have devoted little attention to understanding how and why indexing came to be included in certain federal programs but not others.

In his book *Automatic Government*, R. Kent Weaver examines the reasons for the growth of indexing and its consequences for current policy. Weaver argues that to understand indexation policy — and policymaking in general — we must understand policymakers' motivations. Politicians always look for opportunities to claim credit with their constituents, but they will give up those credit-claiming opportunities if they are more concerned with avoiding blame for unpopular decisions. Weaver is critical of indexing, noting that "deliberation, discretion, and accountability for responsible policymaking" have declined as a result. But he believes it will remain an important element of the federal policymaking machinery. In his concluding chapter, Weaver offers some guidelines for its future use and some specific policy options. Weaver is a senior fellow in the Governmental Studies program at Brookings.

Financing Long-Term Care for the Aged

CARING for the disabled elderly is one of America's most serious social problems. Older Americans in need of long-term care to help them cope with conditions such as heart disease, stroke, osteoporosis, and Alzheimer's disease confront a delivery and financing system that is fragmented, inefficient, and expensive. Nursing home vacancies are limited, in-home care is often unavailable, and even mediocre care can cause severe financial hardship to the elderly and their families.

In this important new study, the authors address the fundamental policy questions that must be faced if the elderly are to receive adequate care in the future: Is there a better way to organize the delivery system? Is there a better way to finance care? How should public and private responsibilities be divided?

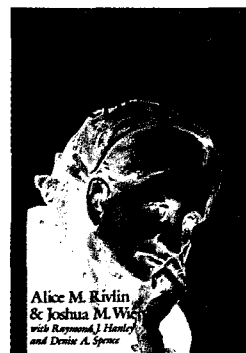
Using a computer model developed specifically for this project, the authors examine in detail the costs and effects of various private and public financing options. The authors conclude that while the private sector can play a greatly expanded role in financing long-term care, private plans must be supplemented with public funding. They recommend that ways be found to broaden the Medicare program to include long-term care.

Alice M. Rivlin and Joshua M. Wiener are senior fellows in the Brookings Economic Studies program. Raymond J. Hanley and Denise A. Spence are senior research analysts at Brookings.

Caring for the Disabled Elderly: Who Will Pay?

By Alice M. Rivlin and Joshua M. Wiener with Raymond J. Hanley and Denise A. Spence

\$11.95 paper; \$29.95 cloth



Political Evolution in the West Bank

THE UNMISTAKABLE new sense of defiance among Palestinians in the Israeli-occupied territories stems from the emergence of a fresh generation of leaders who have spurned the traditional political establishment in the West Bank and Gaza. In a new book, *In Search of Leadership: West Bank Politics since 1967*, Emile Sahliyeh traces the evolution of this "new elite" and relates its growth to the turbulent geopolitical realities in the Middle East today.

Until the 1967 Arab-Israeli war, prominent West Bank families controlled local politics in their regions. Since the occupation, marked growth in higher education, exposure to the mass media, and a mobile labor force have merged with powerful social forces — the consolidation of the communist movement, a radicalized student population, and the resurgence of Islam — to create an explosive challenge to the old political order and to encourage the aspirations of vigorous new political movements.

"While the new social forces have not yet developed a full-fledged, strong, and unified leadership, they have become vocal and powerful and must be reckoned with on the local scene," Sahliyeh writes. "For they are capable of complicating the policies of external players — particularly policies that do not conform to their political preferences and interests."

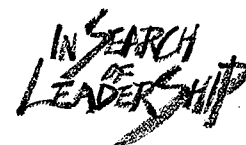
Sahliyeh believes that the future generation of West Bank leaders is likely to come from the militant youth who have defied Israeli troops since December 1987. Despite sharp ideological cleavages, "West Bank youth are united in their opposition to Israel, determined to end the military occupation, and committed to the establishment of a Palestinian state."

Sahliyeh, a former guest scholar at Brookings, is associate professor of international relations and Middle East politics at North Texas State University.

In Search of Leadership: West Bank Politics since 1967

By Emile Sahliyeh

\$10.95 paper; \$28.95 cloth



West Bank
Politics
since 1967

Emile Sahliyeh

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